

Current Strategy

- Increase share of premium 1.6 pp/year
- Protect Premium Trademark Equity
 - Defend against price erosion using promotions
 - Add value with new product and packaging characteristics
- Attack competitors' premium niches
- Capture 40% of discount growth
 - Inject trademark equity into discount brands
- Continue cost improvement efforts
- Develop retail advantage
- Create a people advantage
- Share of Premium growth and market stability paramount goals

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Current Strategy Assumptions

Industry Volume Decline:	-2.7%
Federal Excise Tax Increases:	\$4 - 1994 \$4 - 1996
State Excise Tax Increases:	8%
Non-DME cost increases:	1% - 3.6%%
DME thous cost increases as a % of price increase:	20% Premium 5% Discount
% of DME price promotion:	75% Premium 95% Discount
Stable Price Gap:	23% {30% new gap}
Price Gap Elasticity:	.30

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Sensitivities

		1992-1997		1997		
		IFO CAG%		PM Volume	PM Premium	PM Discount
Industry Volume	-2.7% → -3.7%	(1.0)%		(8.9)	(5.3)	(3.6)
FET Increases	\$4 → \$6	0.3%		0.9	2.9	(2.0)
SET Increases	8% → 10%	0.1%		0.4	1.2	(0.8)
Non-DME Cost Increase	3% → 4%	(0.4)%		—	—	—

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Sensitivities

(con't)

	1992-1997	1997		
	<u>IFO CAG%</u>	<u>PM Volume</u>	<u>PM Premium</u>	<u>PM Discount</u>
Premium DME Incr. as a % of price inc. 20% → 22%	(0.2)%	0.2	0.4	(0.2)
Discount DME Incr. as a % of price inc. 5% → 7%	(0.1)%	(0.1)	(0.8)	0.7
Stable Price Gap 23% → 20%	(1.1)%	(3.6)	(9.8)	5.2
Price Gap Elasticity .30 → .35	(0.6)%	(2.6)	(5.8)	3.2

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Sensitivities of Price "Gap"

- Current forecast assumes premium/discount share stability at 23% price difference (30% under new gap)
- For every 10 percentage point increase in that gap, discount grows about 3.0 share points
- Higher income areas are less sensitive to "gap"
- Lower income areas are more sensitive to "gap"
- Some evidence of heightened sensitivity at \$16.00 carton threshold and \$2.00 pack threshold
- Elasticity may change as premium category shrinks to "core" smokers
- Elasticity may not be a function of relative gap but absolute price of premium — i.e. gap reduction by raising discount prices may not affect trends.

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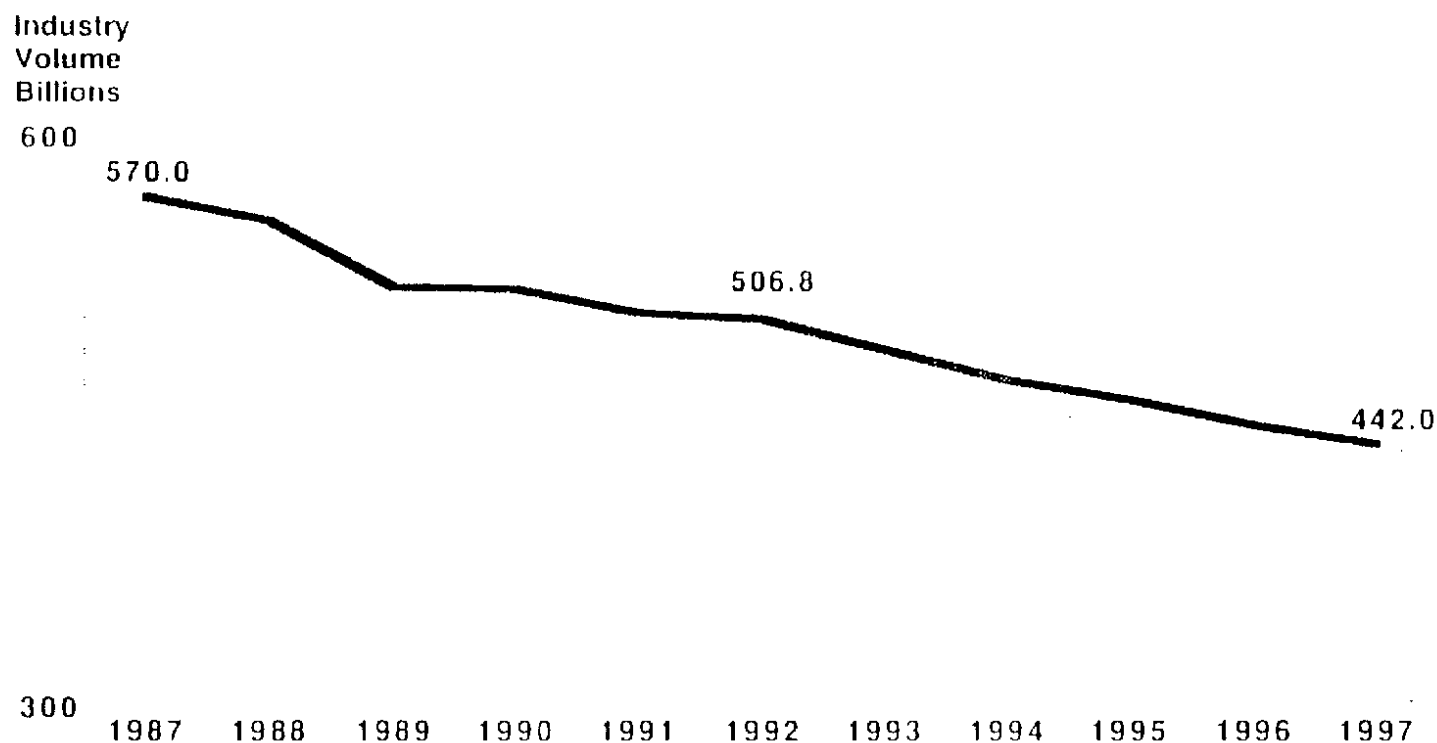
Factors Influencing Volume and Mix

- Relative Prices and Price Increases
- Income Growth
- Smoking Bans and Health Controversies
- Demographics

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Federal Excise taxes are expected to cause a 2.7% annual volume decline over the next five years, slightly higher than the 2.3% decline rate experienced during the previous five years.

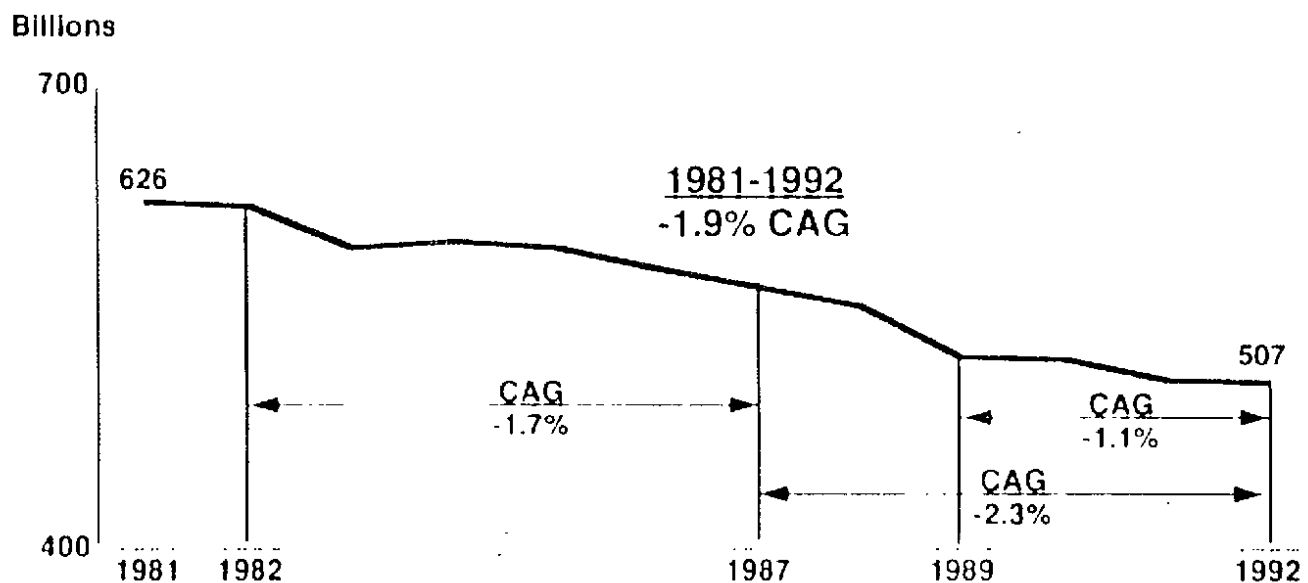


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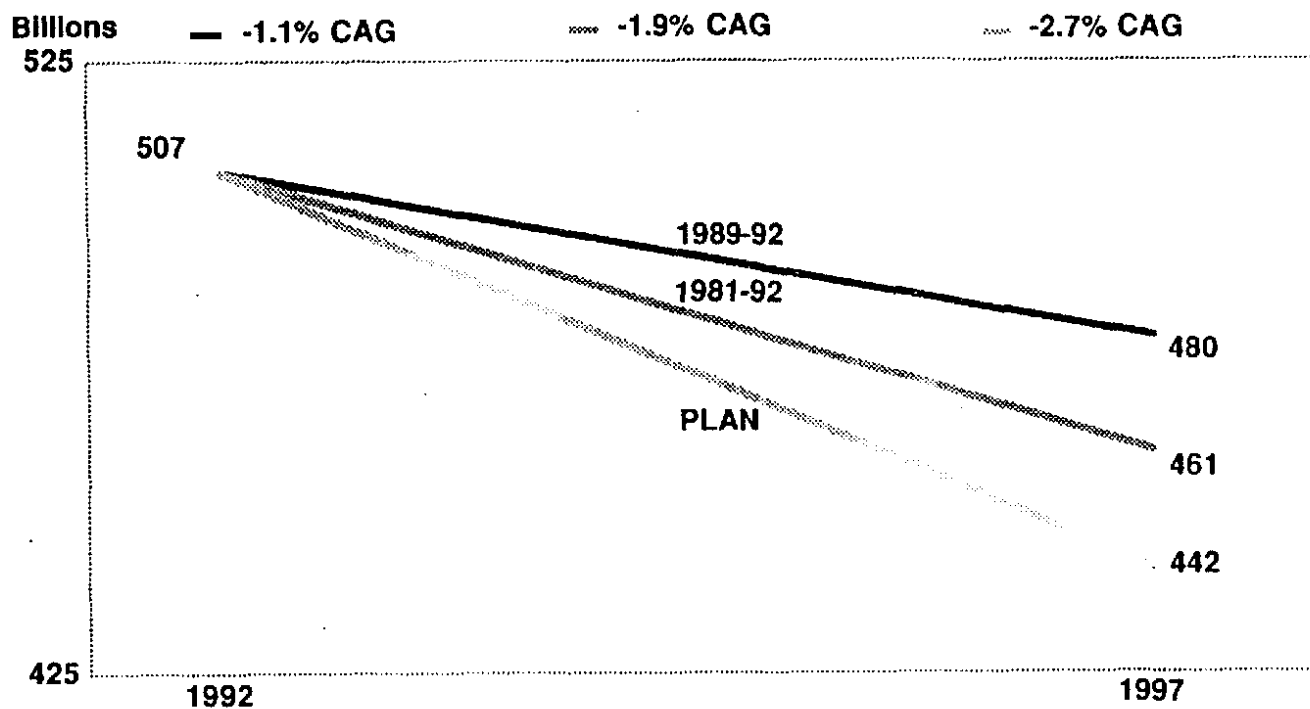
The growth of discount has slowed annual industry volume decline to 1.1% since 1989.



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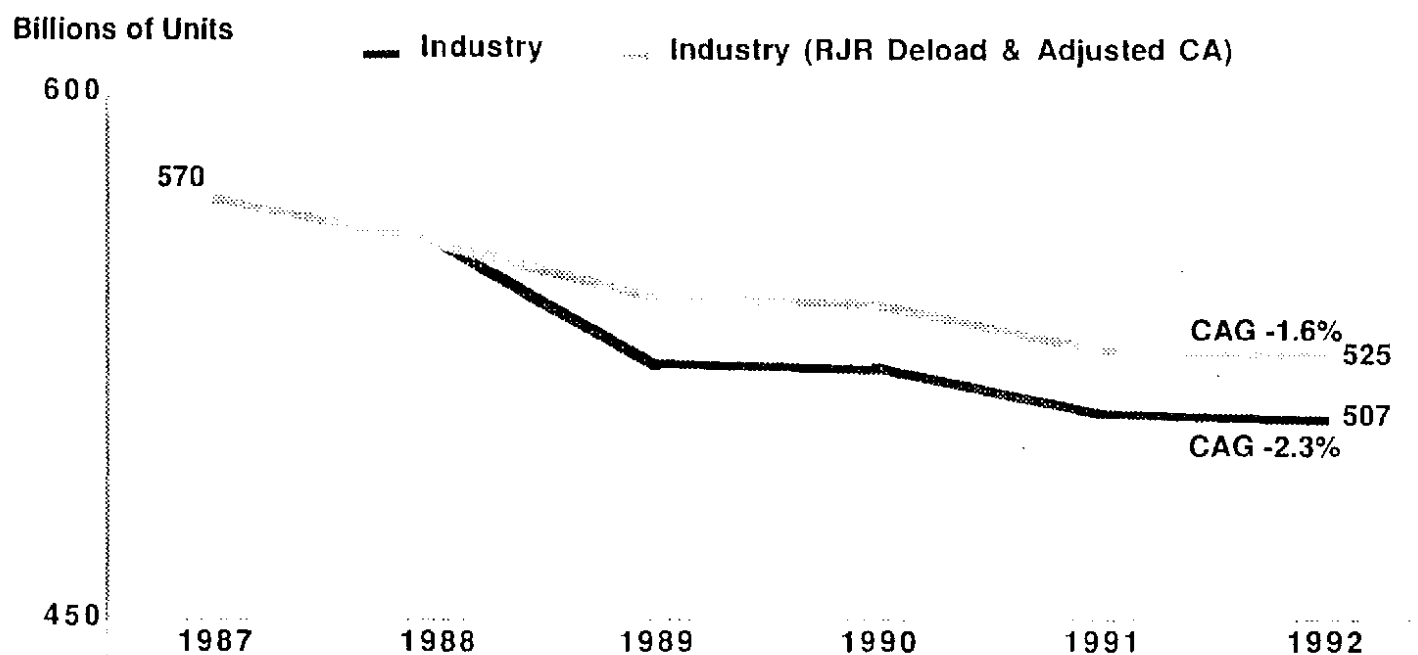
Volume Sensitivities



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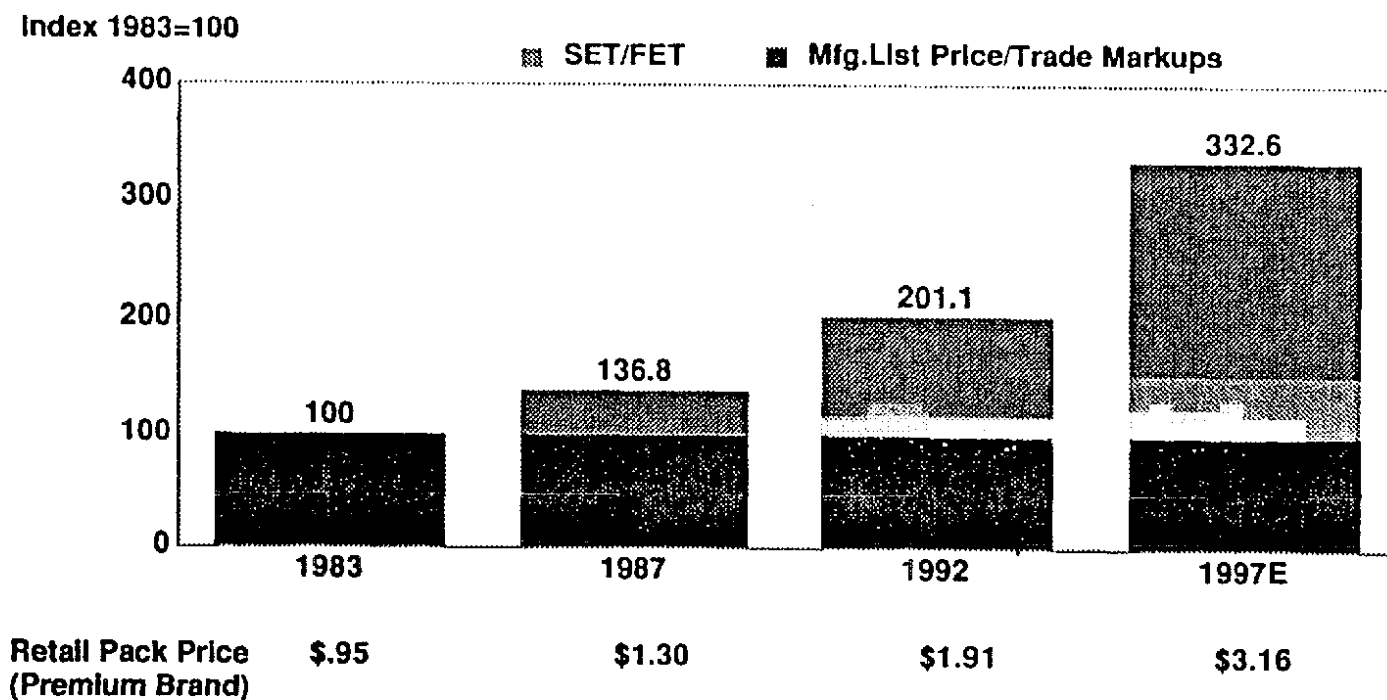
Industry volume would have declined 1.6% annually if not for RJR's deload and California's Proposition 99.



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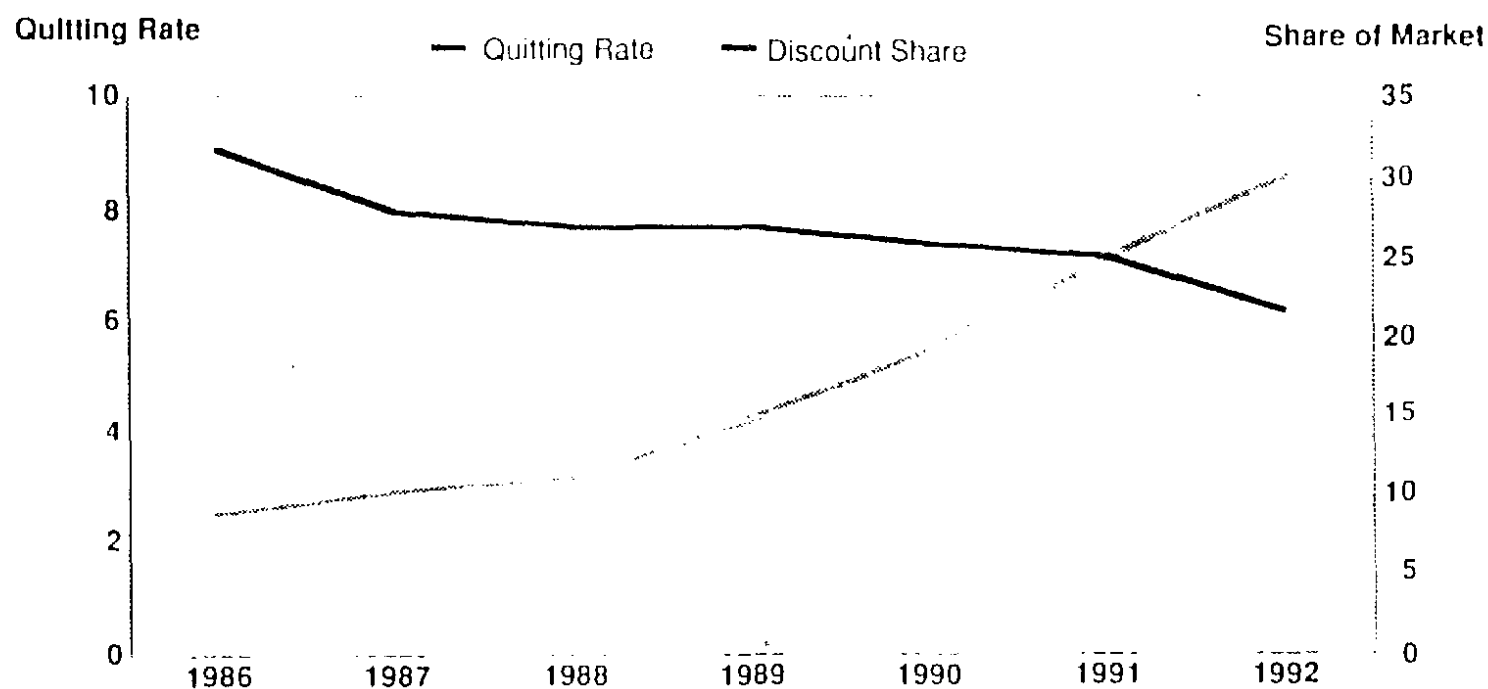
Manufacturers' price increases will have a greater impact on the industry than excise taxes



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The quitting rate has declined as
discount's share of market has grown.

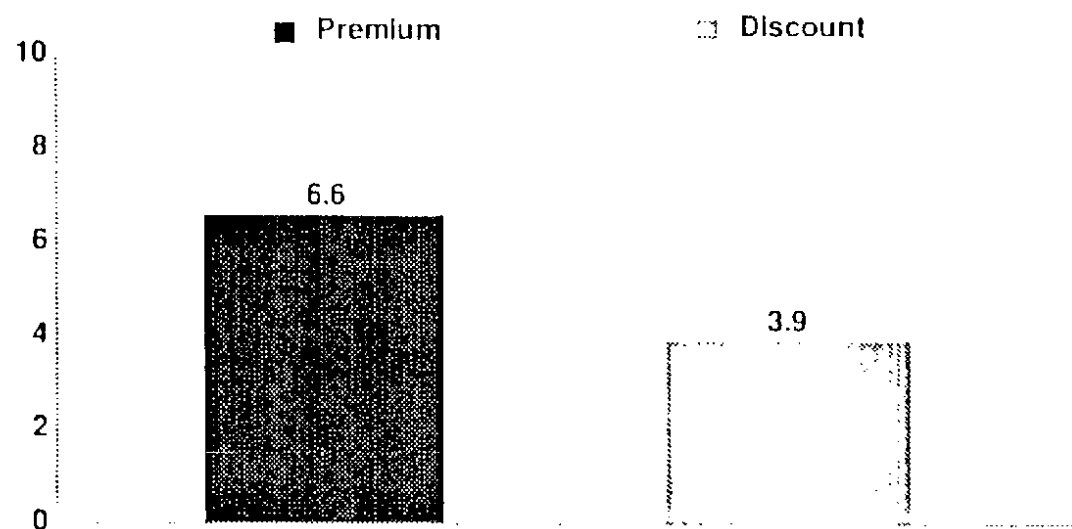


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The quitting rate among smokers of Premium brands is about 70% higher than among Discount smokers.

Quitting Rate

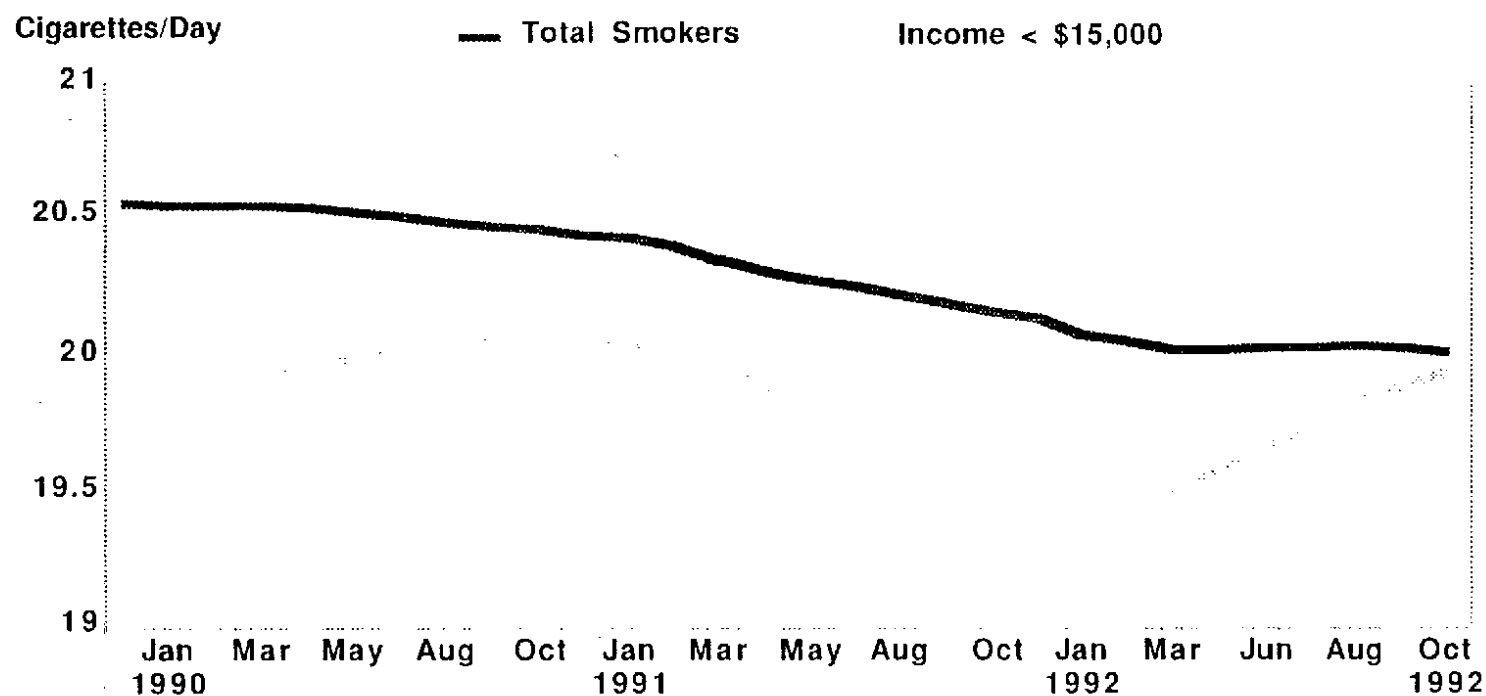


1992

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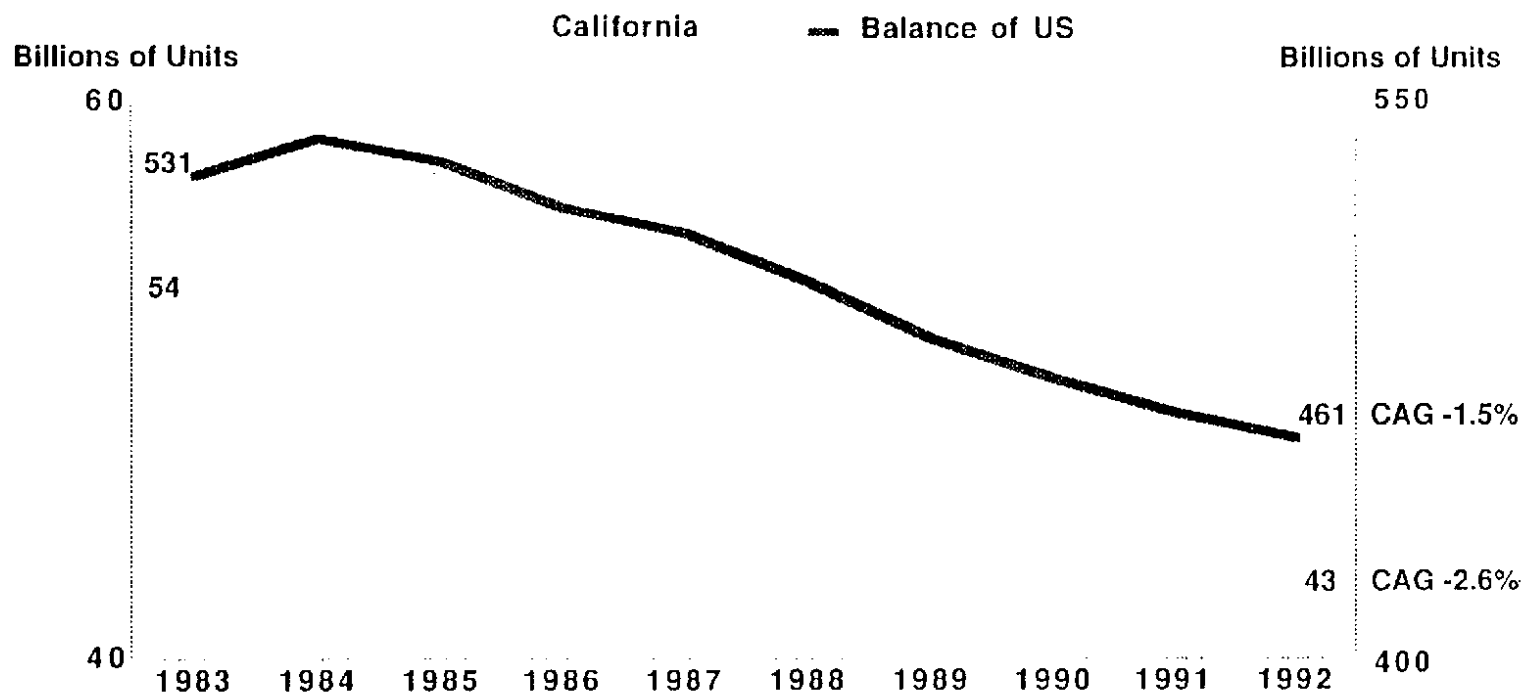
Cigarette consumption among those with incomes under \$15,000 has increased as the growth of deep discounts has widen the price gap.



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Industry Volume in California has declined 2.6% annually since 1983. This a worst case with extremes in social pressures and taxation.



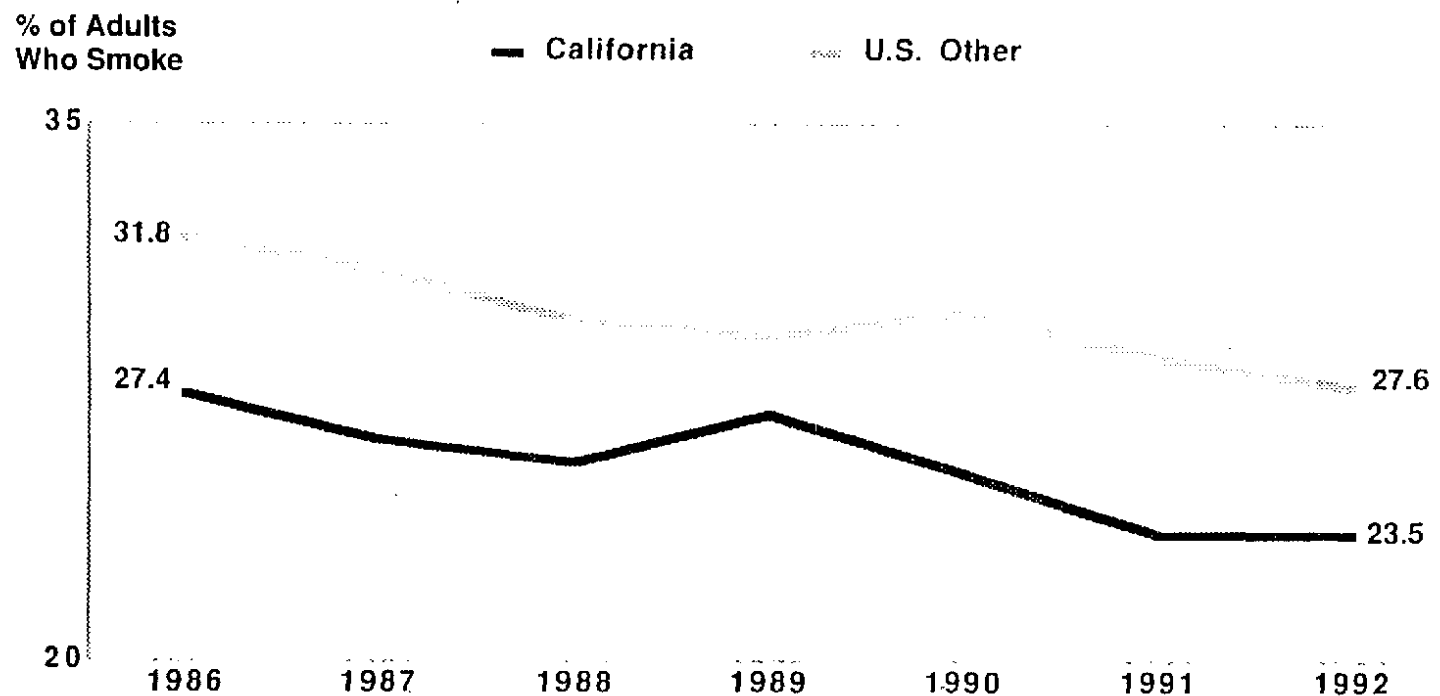
12MM load adjusted units

Note: California's 25¢ increase resulted in a 24% increase in retail pack prices.

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California's Smoking Incidence remained about 4 points below national average (4.4 in 1986, 4.1 in 1992).



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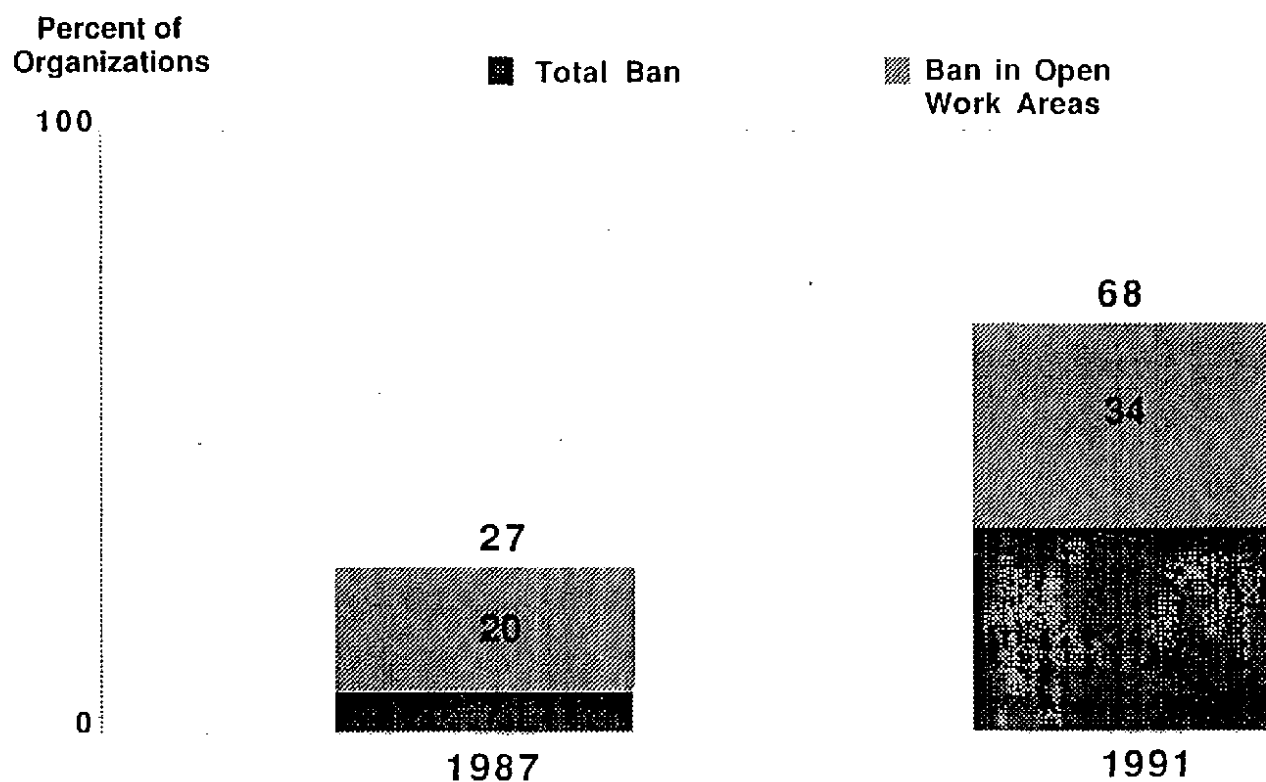
Workplace Restrictions

- Restrictions that accomodate smokers have little affect on consumption
- 1988 study of a complete ban of smoking in all workplaces
 - One time volume decline of approximately 8%
 - Quitting rate increased almost 4 percentage points

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The prevalence of work place smoking bans has increased dramatically since 1987, yet industry volume has declined less than 2% annually (adj. for RJR de-load).



Source: BNA Survey No. 55

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PM-USA Historical Performance

	<u>1982-87</u>	<u>1987-92</u>	<u>1989-92</u>	<u>Current Strategy</u>
Share of Market	+1.00	+.89	+.12	0.0
Share of Premium	+1.44	+1.7	+1.21	+1.6
Performance Gap	6.5%	7.4%	5.5%	7.5%
Share of Discount Growth	N/A	31.4%	23.2%	40%

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Marketing Portfolio Strategy

- Protect trademark equity from price erosion
- Focus promotional spending on value gap
- Attack competitive niches with line extensions and new brands to gain incremental premium share
- Seek 40% of discount growth with branded discount product
- Focus FSF retail activity on fewer trademarks for longer periods
- Use targeted direct marketing to support other premium trademarks
- Premium share growth and market stability are paramount goals

PM-USA

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Current Strategy

	<u>1992</u>	<u>1997</u>	<u>CAG</u>
Industry Volume	506.8	442.0	-2.7%
Premium	353.7	220.1	-9.1%
Discount	153.1	221.9	+7.7%
Discount Share	30.2%	50.2%	
PM-USA Volume	214.3	194.3	-1.9%
Premium	172.8	125.3	- 6.2%
Discount	41.5	69.0	+10.7%

PM-USA

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De-Loading Assumptions

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Load Reduction	-1.5	-2.0	-2.5	0	0
Canadian Volume	1.5	2.0	2.5	3.0	3.5
Impact on Reported Volume	0	0	0	+3.0	+3.5

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Current Strategy Total Volume

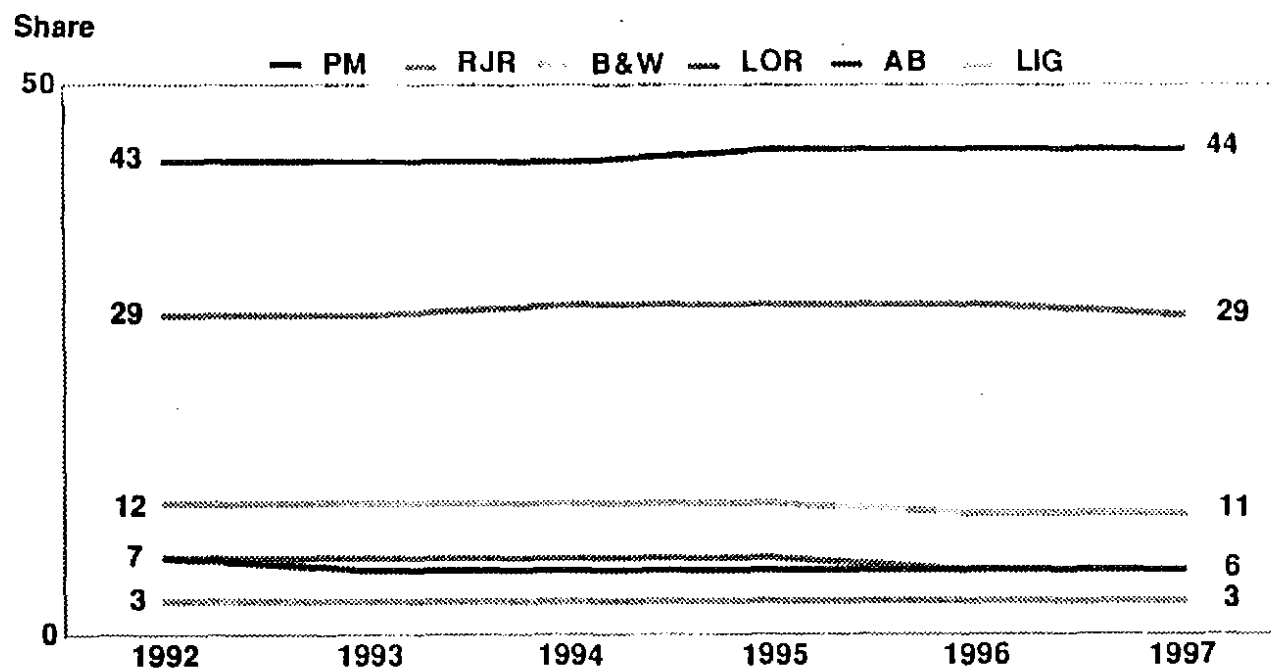
	<u>1987</u>	<u>1992</u>	<u>87-92</u> <u>CAG</u>	<u>1997</u>	<u>92-97</u> <u>CAG</u>
PM-USA	215.6	214.3	-0.1%	194.3	-1.9%
RJR	185.3	146.2	-4.6	128.4	-2.6
B&W	62.7	60.2	-0.8	50.5	-3.5
Lorillard	46.7	36.5	-4.8	25.3	-7.1
American	39.3	34.3	-2.7	28.4	-3.7
Liggett	20.4	15.2	-5.7	14.6	+0.8
<hr/> Total	<hr/> 570.0	<hr/> 506.8	<hr/> -2.3%	<hr/> 442.0	<hr/> -2.7%

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Total Market Share

Current Strategy



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Current Strategy Premium Volume

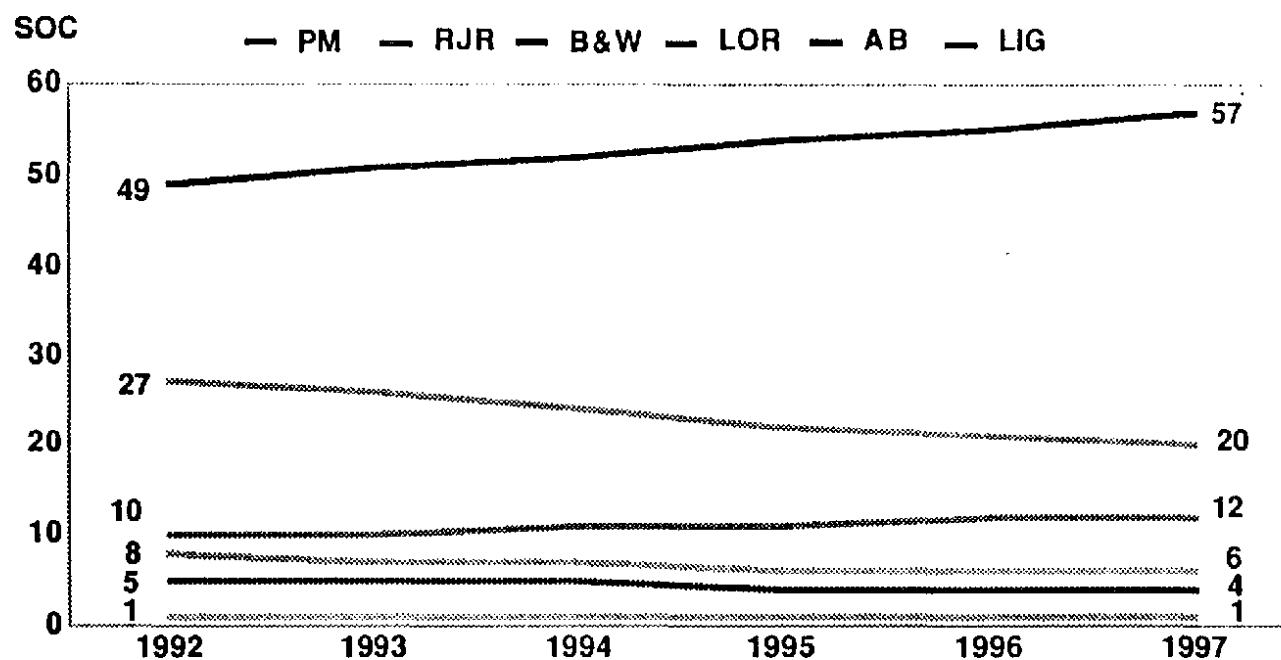
	<u>1987</u>	<u>1992</u>	<u>87-92</u> <u>CAG</u>	<u>1997</u>	<u>92-97</u> <u>CAG</u>
PM-USA	206.6	172.8	-3.5%	125.3	-6.2%
RJR	163.1	95.4	-10.2	43.8	-14.4
B&W	49.6	26.7	-11.7	12.3	-14.4
Lorillard	46.7	35.0	-5.6	23.8	-7.4
American	37.9	19.0	-12.9	11.5	-9.6
Liggett	7.8	4.7	-9.6	2.9	-9.2
Total	511.7	353.7	-7.1%	220.1	-9.1%

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Share of Premium

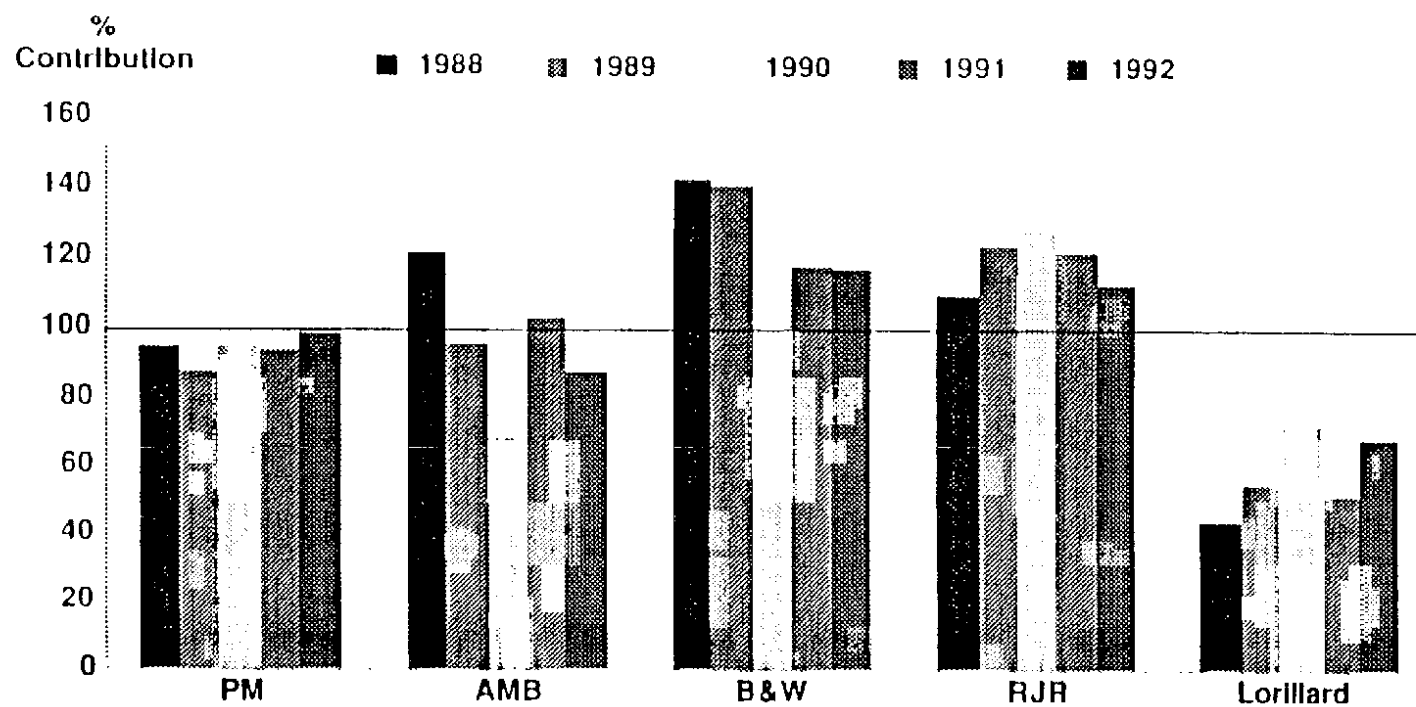
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The rate of PM-USA's premium smokers switching to discount is below RJR and B&W, but above Lorillard and now above AMB.



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Premium Volume Impact of Socio-Demographic Losses and New Smoker Gains (1992-1997).

	<u>PM</u>	<u>RJR</u>	<u>B&W</u>	<u>AMB</u>	<u>LOR</u>
Socio-demo Losses	-31.5	-24.7	-6.5	-7.1	-7.4
New Smoker Volume	<u>+25.1</u>	<u>+5.1</u>	<u>+0.6</u>	<u>+0.1</u>	<u>+5.4</u>
Net Premium Loss (billions of units)	-6.4	-19.6	-5.9	-7.0	-2.0
CAG %	-0.8	-4.5	-4.9	-8.8	-1.2

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Current Strategy Discount Volume

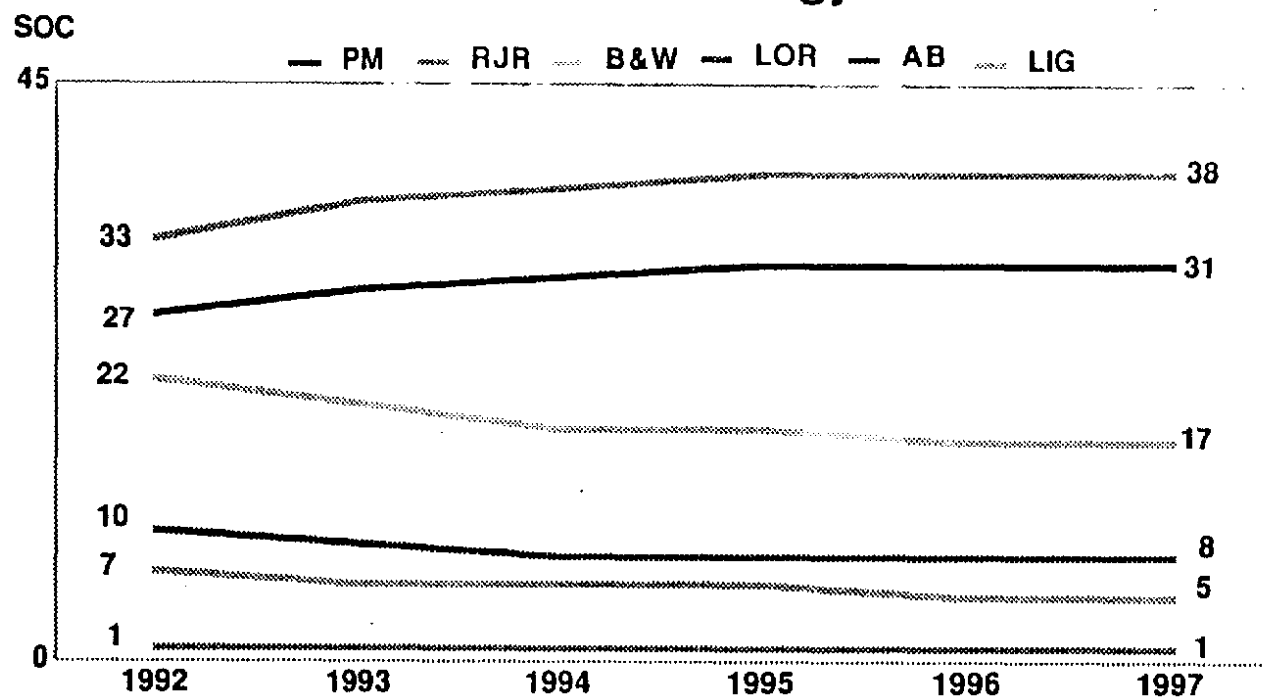
	<u>1987</u>	<u>1992</u>	<u>87-92</u> <u>CAG</u>	<u>1997</u>	<u>92-97</u> <u>CAG</u>
PM-USA	9.0	41.5	+35.7%	69.0	+10.7%
RJR	22.2	50.8	+18.0	84.6	+10.7
B&W	13.1	33.5	+20.6	38.2	+2.7
Lorillard	0.0	1.5	N/A	1.5	+0.0
American	1.4	15.3	+61.3	16.9	+2.0
Liggett	12.6	10.5	-3.8	11.7	+2.2
Total	58.3	153.1	+21.3%	221.9	+7.7%

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Share of Discount

Current Strategy



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Current Strategy

Assumptions:

PM SOP +1.6%

PM SOD Growth 40%

	<u>Price Increase</u>		<u>Effective Retail Price</u>		<u>New Gap</u>
	<u>Prem/BD</u>	<u>Deep Disc</u>	<u>Premium</u>	<u>Deep Disc</u>	
1992	\$6.00	(\$3.65)	\$1.91	\$1.05	82.3%
1993	\$6.00	\$6.00	\$2.21	\$1.32	67.5%
1994	\$5.25	\$4.75	\$2.50	\$1.60	56.1%
1995	\$5.75	\$5.25	\$2.67	\$1.78	50.5%
1996	\$6.25	\$5.75	\$2.96	\$2.09	42.0%
1997	\$6.75	\$6.25	\$3.16	\$2.29	38.0%

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Current Strategy Profitability

	<u>1987</u>	<u>1992</u>	<u>87-92</u> <u>CAG</u>	<u>1997</u>	<u>92-97</u> <u>CAG</u>
PM-USA	\$2,714	\$5,185	+13.8%	\$7,481	+7.6%
RJR	1,582	2,149	+6.3	3,073	+7.8
B&W	516	660	+5.0	1,123	+11.2
Lorillard	502	870	+11.6	1,099	+4.8
American	430	536	+4.5	613	+2.7
Liggett	57	50	-2.6	269	+40.0
Total	\$5,801	\$9,450	+10.2%	\$13,658	+7.7%

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Current Strategy

Income From Operations

	<u>PM-USA</u>	<u>Total Industry</u>	<u>Industry %Change</u>	<u>PM-USA Share of Industry</u>	
				<u>Total</u>	<u>Growth</u>
1992	5185	9450	4.5%	55.7%	100.0%
1993	5655	10175	7.7%	55.6%	64.8%
1994	6102	10937	7.5%	55.8%	50.8%
1995	6526	11788	7.8%	55.4%	49.8%
1996	6991	12709	7.8%	55.0%	50.5%
1997	7481	13658	7.5%	54.8%	51.6%
<i>CAG 92-97</i>	7.6%	7.7%			

PM-USA

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PM-USA Income Statement (\$/M)

Current Strategy

	<u>1992</u>	<u>1997 *</u>	<u>92-97 CAG</u>
PM-USA Volume (Incl. Military/OS)	215.5	195.6	-1.9%
Sales (net FET)	\$45.73	\$66.44	+7.8%
Variable Cost (net FET)	\$7.34	\$8.74	+3.6%
Marginal Contribution	\$37.76	\$56.97	+8.6%
Fixed Manufacturing	\$2.32	\$2.45	+1.1%
Marketing Expense	\$10.46	\$15.92	+8.7%
R&D, G&A, Other	\$0.92	\$0.45	-13.2%
IFO	\$24.06	\$38.16	+9.7%

* 1997 Includes Duty Free Military and revised manufacturing contract agreement with PMI.

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PM-USA Cash Flow (\$ Millions) Plan Projections

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>CUM.</u>
	Actual						
1992-96	2821	3407	3968	4481	5063	—	19,741
1993-97 (Current Strategy)	—	3407	3973	4284	4397	4710	20,771

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Sales Objectives

- Support Marketing Initiatives
- Optimize Retail Execution
 - Retail Masters
- Localize Decision Making
 - Responsive to Market Conditions
- Develop a People Advantage
 - Recruitment & Training
- Be a First Tier Supplier
 - Retail Partnership

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Research and Development Objectives

- Execute new product plan
- Develop new product technologies
- Respond to legal/regulatory changes
- Continuous cost improvement

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Research and Development

- **Socially Responsive Products**
 - Sidestream smoke
 - Ingredient Reduction
 - Alternative smoking articles
- **Packaging/Flavorings**
 - Distinctive flavor systems
 - Booklet/Aluminum pack
- **Regulatory**
 - Ignition propensity
 - Ingredient reduction and labeling
- **Cost/Quality**
 - New expanded tobacco (NET)
 - Reduced cost blends and flavor systems for Discount

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Human Resources Objectives

- Ongoing Work Force Analysis and Productivity Improvement
- Effective Leadership and Organizational Development
- Diversity Management

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Effective Leadership & Organizational Development

- Break away from functional management and move toward process management.
- Aggressively pursue cross-functional development.
- Implement "Management of Change" throughout the organization.

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Diversity Management

- Formalize mentoring program for minorities.
- Provide training and counseling on diverse work force.
- Monitor and report PM-USA's compliance with government mandates.

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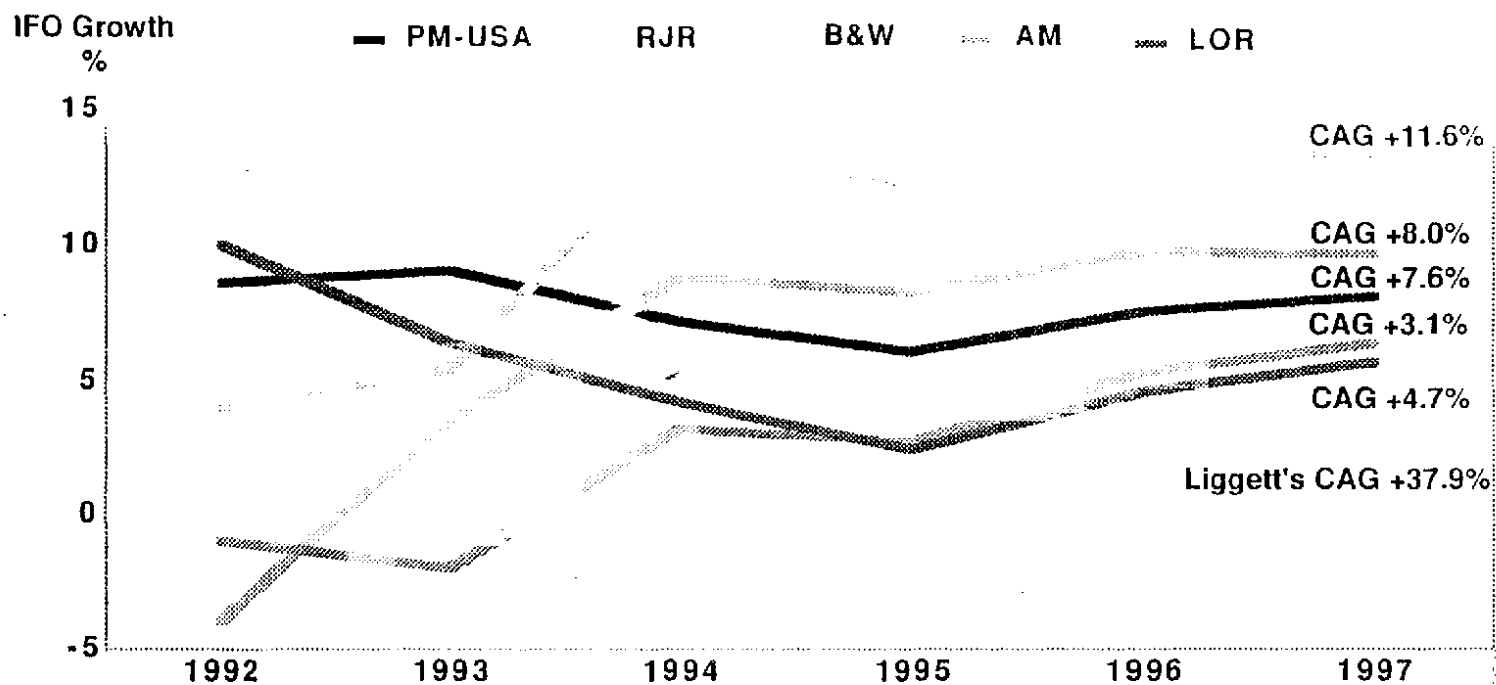
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Risks to Current Plan

- Competitors IFO growth inconsistent with historical performance.
- Competitors' acceptance of volume and share declines inconsistent with prior years.
- Major change in market place trends of previous four years.
- Sustainability of unprecedented margins (at low and high ends) and price increases well above consumer income growth.
- Dynamic price tiers are a market change analagous to filters, low tar or 100's.

Current Strategy

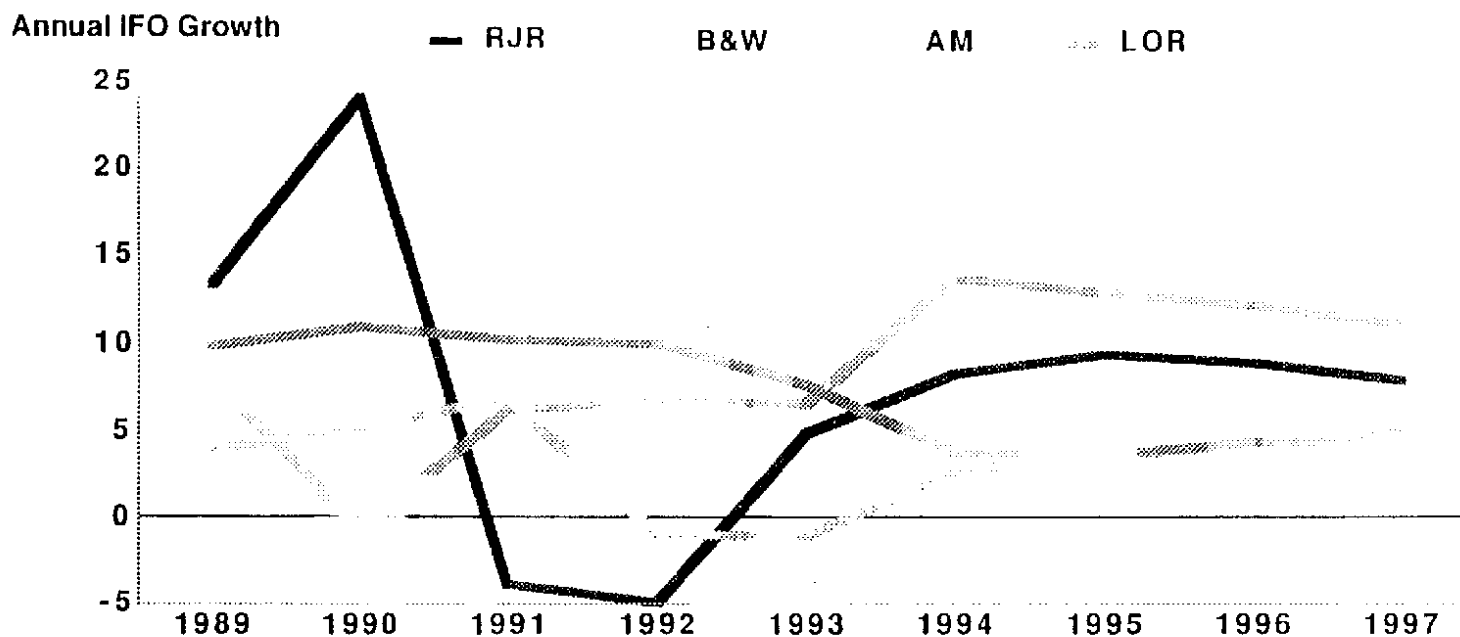
Annual IFO Growth



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Under the Current Strategy B&W Will Significantly Exceed Its Historical IFO Growth.



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RJR and B&W will grow IFO faster in the next five years than in the previous five years.

	<u>CAG</u> <u>1987-92</u>	<u>CAG</u> <u>1992-97</u>
RJR	5.9%	8.0%
B&W	5.0%	11.6%
AMB	4.5%	3.1%
LOR	11.1%	4.7%
LIG	0.8%	37.9%

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PM-USA Pricing Needs and Competitors' IFO Changes in Current Strategy

	1992 IFO	IFO Growth %	IFO Growth \$	1993 Volume	Income Per M Needed by PM
PMUSA	\$5,185	9%	\$467	211.5	\$2.21
RJR	\$2,149	15%	\$316	143.0	\$2.21
B&W	\$660	19%	\$125	56.7	\$2.21
AMB	\$536	13%	\$69	31.4	\$2.21
Lorillard	\$870	8%	\$73	32.9	\$2.21
Liggett	\$50	65%	\$33	14.8	\$2.21

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Under the current plan, a new bottom price tier is likely to emerge in 1994.

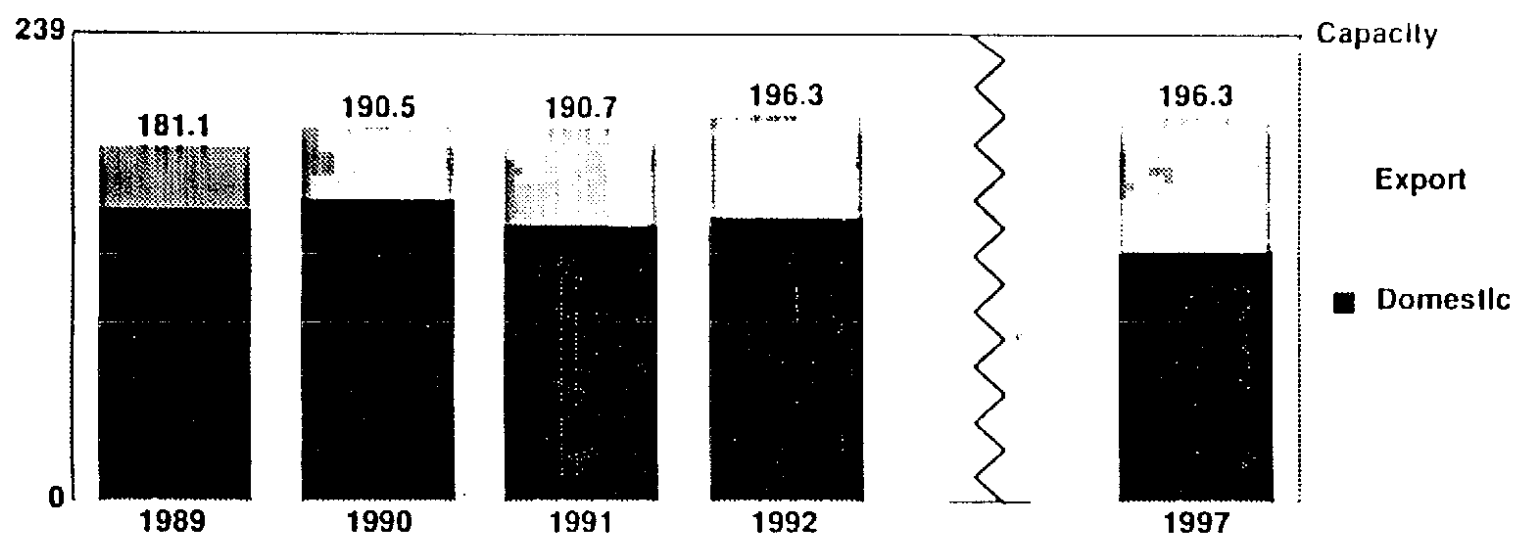
	\$/M, excluding FET				
	<u>Premium</u>	<u>Branded Generic</u>	<u>Sub- Generic</u>	<u>Black & White</u>	<u>New Tier</u>
6/82	18.60				
1/85	27.12	14.75			
1/89	39.60	27.50	17.75		
6/91	53.25	45.35	31.10	19.00	
today	59.10	—	39.45	20.70	
late '94	70.10	—	50.45	30.70	19.00

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To maintain present capacity utilization, RJR will need to increase exports by 18 billion units, or 36%.

RJR Cigarette Output

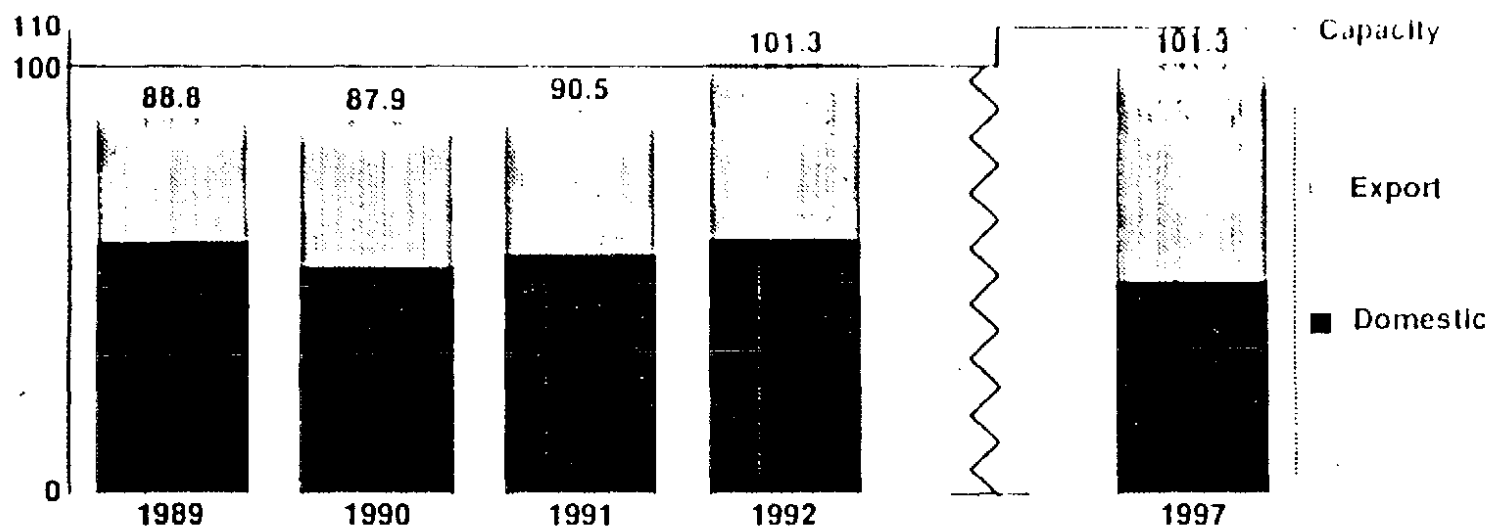


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To maintain current operating capacity, B&W will need to increase exports by 10 billion units, or 24%.

B&W Cigarette Output

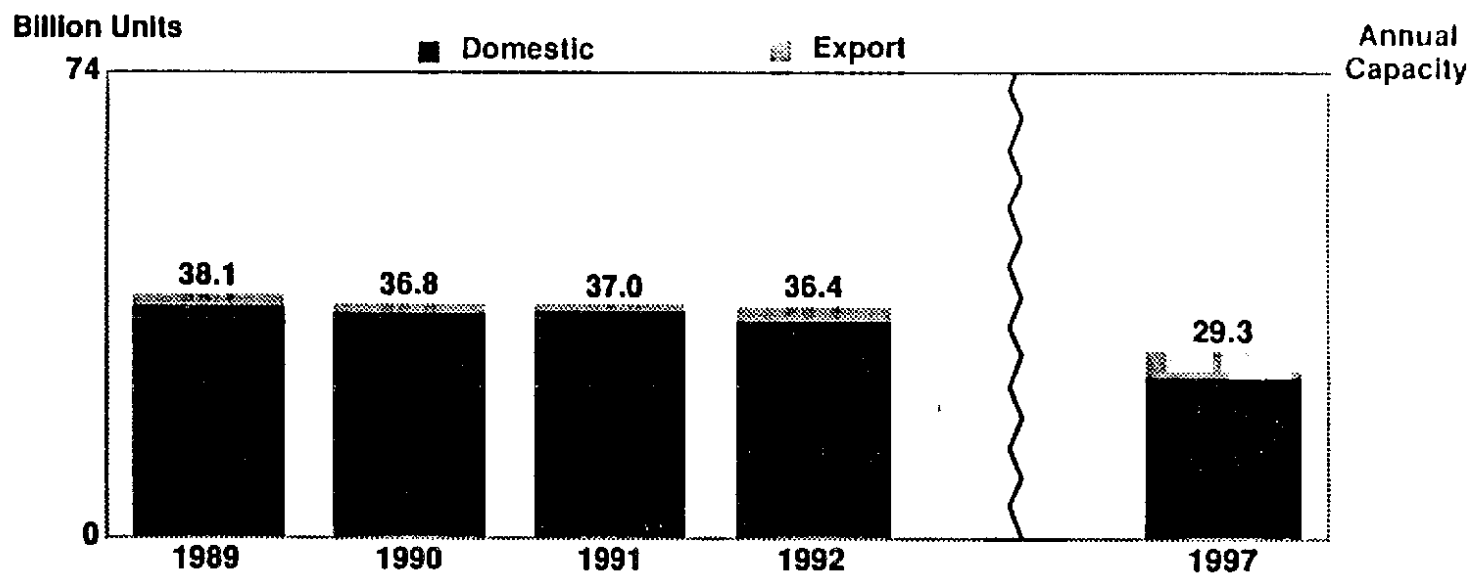


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American Brands does not have sufficient export volume to maintain production capacity during the Plan Period.

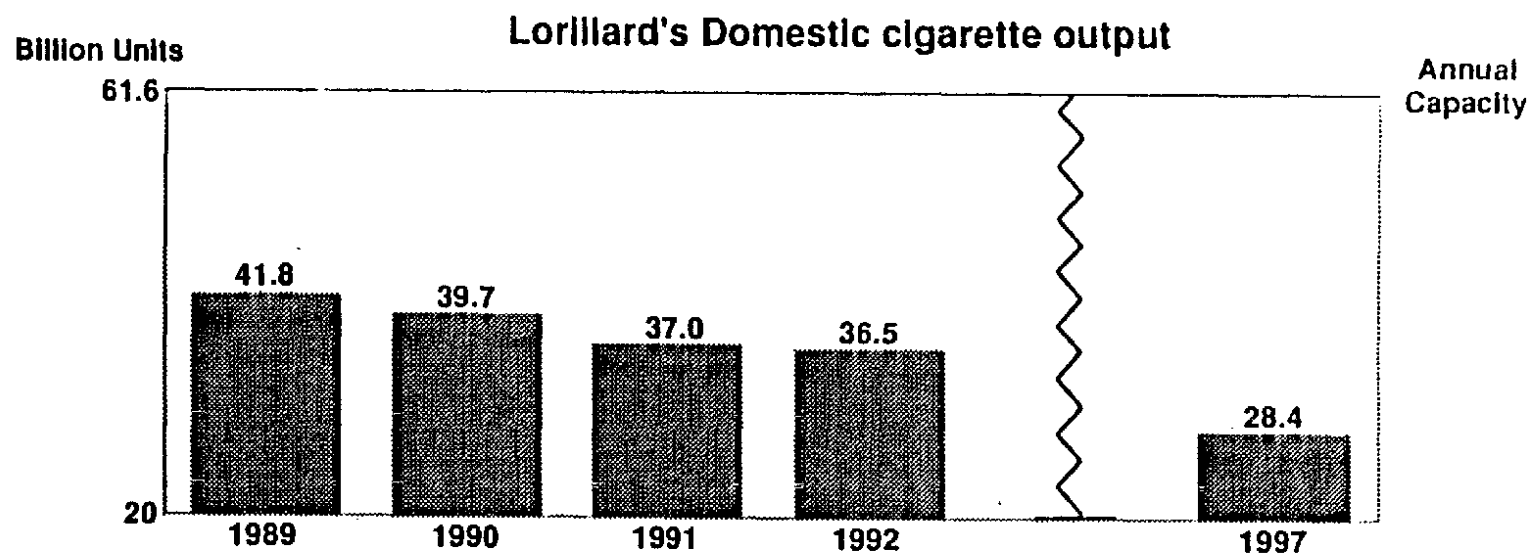
American Brands cigarette output



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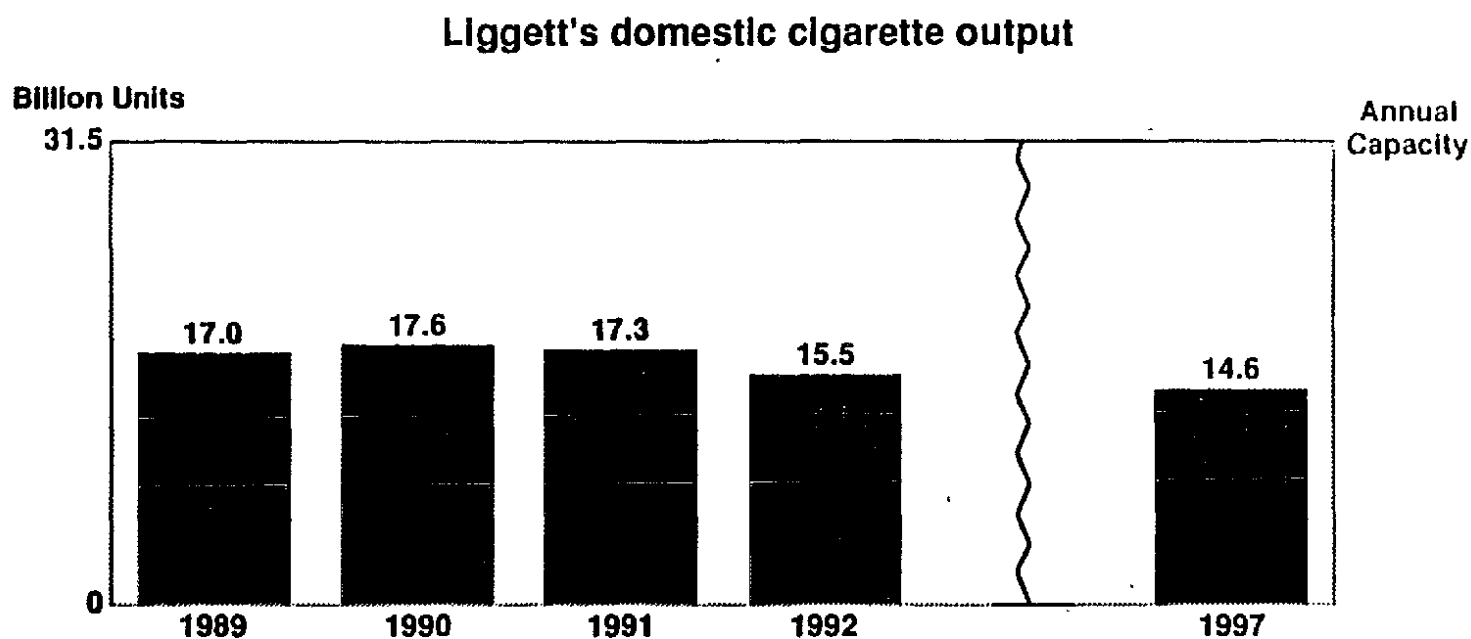
Lorillard, with no export volume, will see its capacity utilization rate fall from 59% in 1992 to 46% by 1997.



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Liggett should maintain their current capacity utilization rate throughout the plan.

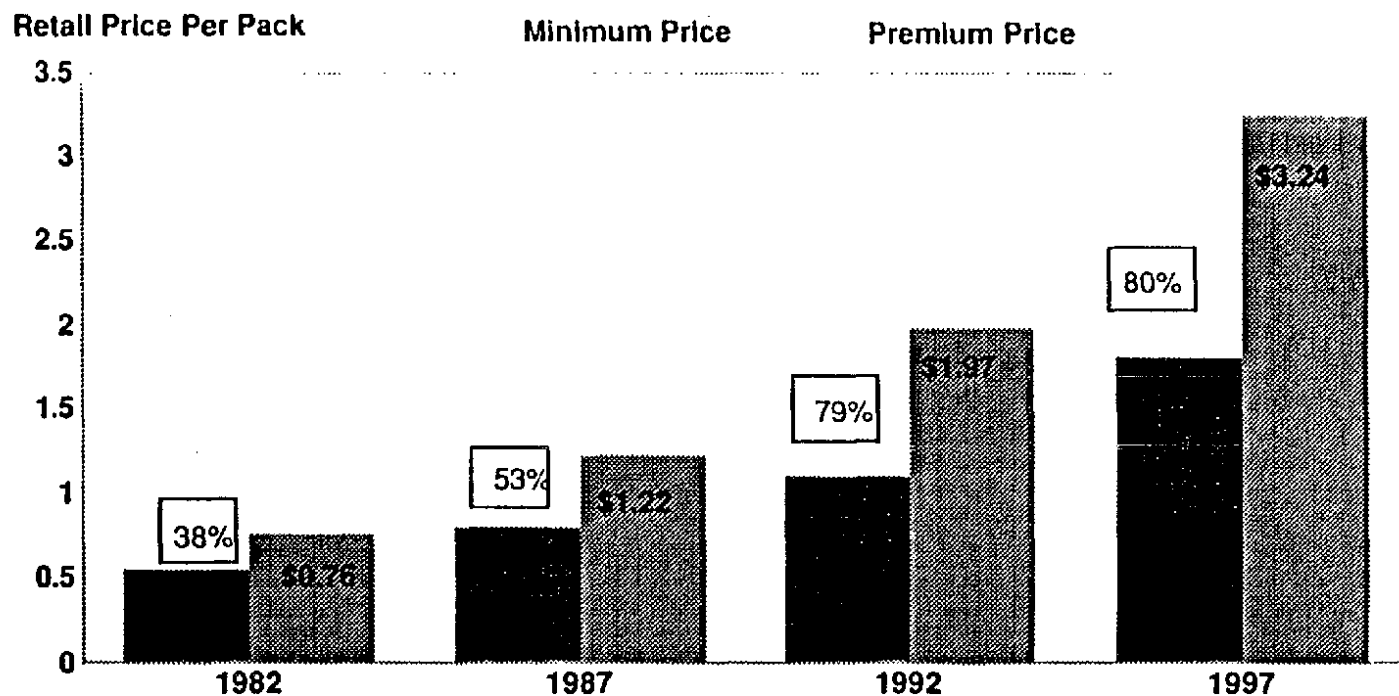


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Current Strategy

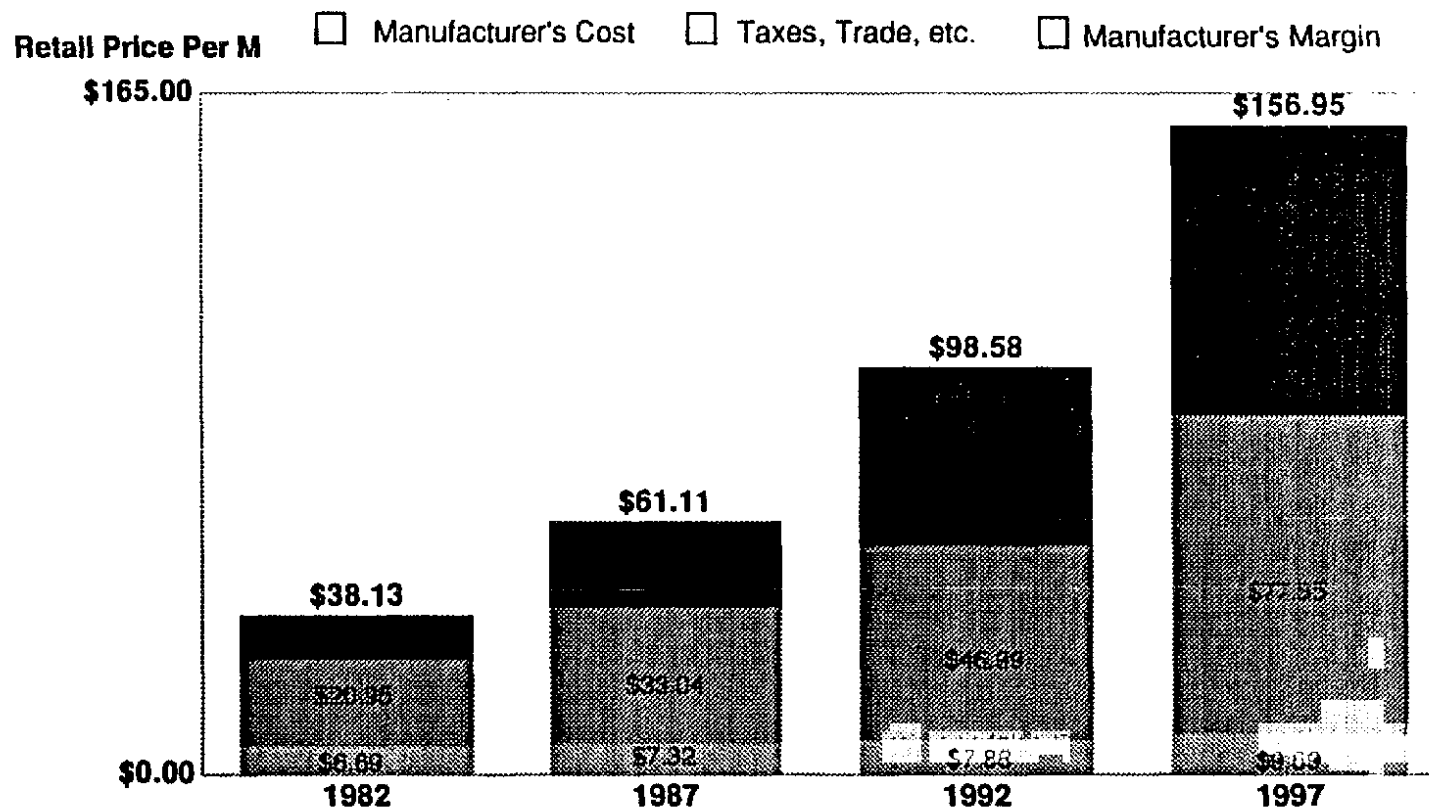
The price gap between premium and lowest legal price will continue to grow during the plan period (new gap)



PM-USA
FYP Pres. 2/10/93 #4

2073445464

Manufacturer margin is growing -- approaching 50% of Retail price by end of plan period



(Note: 10% of taxes, trade, etc. in 1992 is \$8 of new FETs)

PM-USA
FYP Pres. 2/10/93 #4

2073445465

**Manufacturer margin increases will
continue to have a significant impact on
retail premium price increases**

	<u>1982</u>	<u>1987</u>	<u>1992</u>	<u>1997</u>
% Change In Manufacturer Margin	10%	10%	10%	10%
% Change In Retail Price	3.6%	4.4%	5.8%	5.8%

(Assumes Trade Markup/Sales Tax Multiplier of 30%)

PM-USA
FYP Pres. 2/10/93 #4

2073445466

Future Price increases will need to grow much larger just to offset loss of premium units

	<u>1982</u>	<u>1987</u>	<u>1992</u>	<u>1997</u>
Premium Volume Loss Units	10 billion	10 billion	10 billion	10 billion
Margin per M (\$)	\$10.49	\$20.75	\$43.71	\$69.91
Loss in \$Millions	\$105	\$208	\$437	\$699
Total Premium Volume Remaining (Units)	204.4	206.5	172.8	125.3
Price Increase Offset (\$ per M)	\$.50	\$1.00	\$2.50	\$5.58

PM-USA
FYP Pres. 2/10/93 #4

2073445467

Premium retail cigarette prices will continue to outgrow disposable income

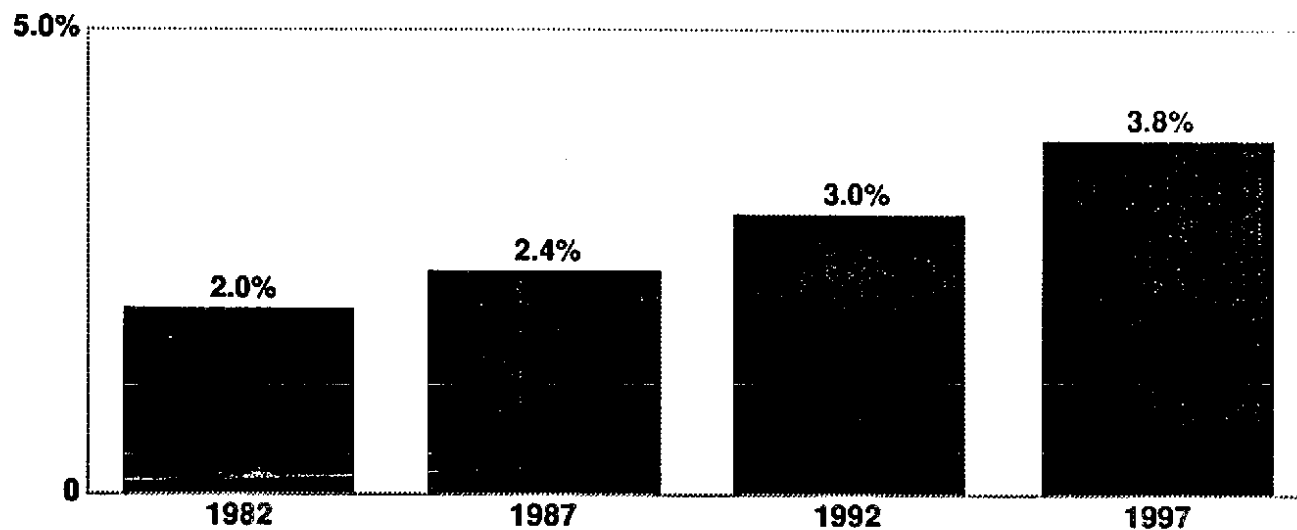
	<u>1982-87</u>	<u>1987-92</u>	<u>1992-97</u>
Cigarette Price	+60.3%	+61.3%	+59.2%
DPI	+33.3%	+28.3%	+29.4%
Growth Ratio	1.81	2.17	2.01

PM-USA
FYP Pres. 2/10/93 #4

2073445468

Premium Prices as a % of Disposable Personal Income will continue to grow.

Premium price as a % of disposable income

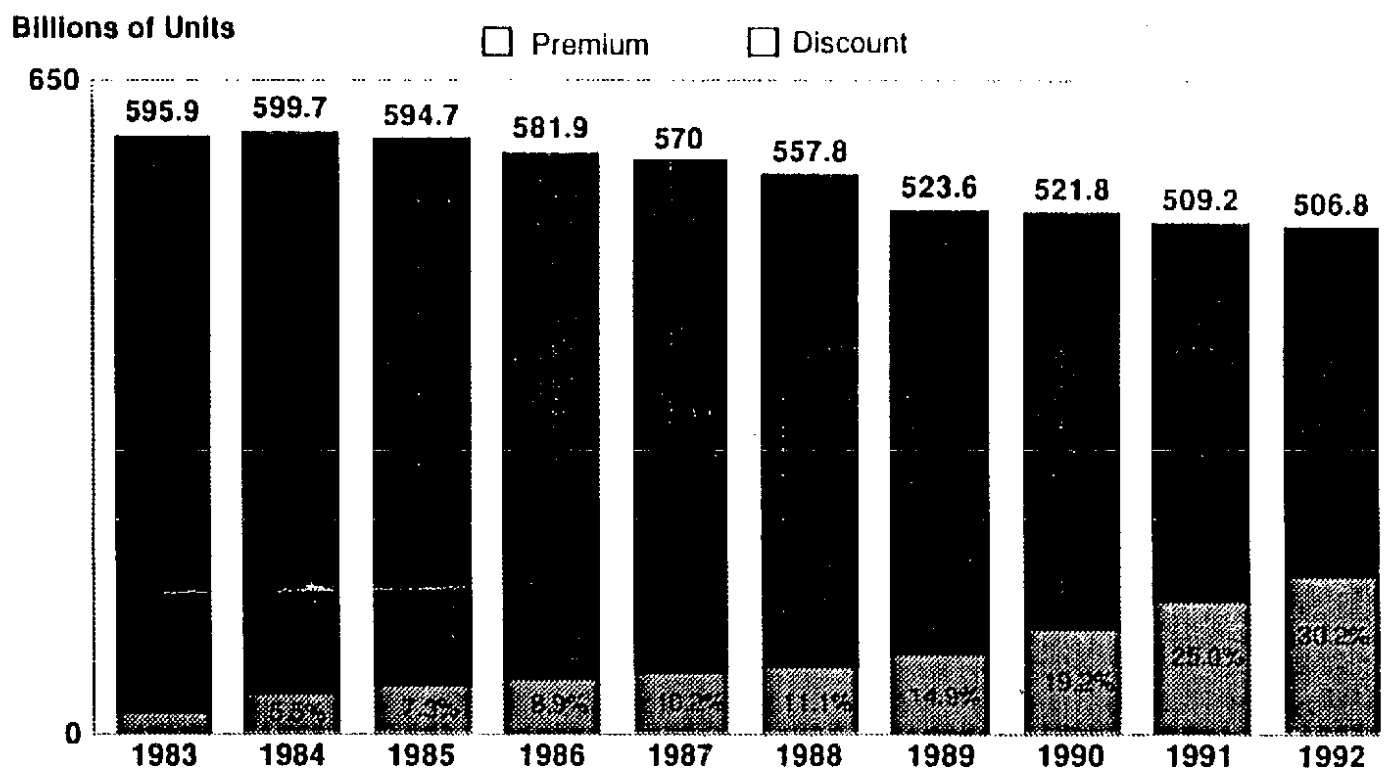


(Assumes Average Purchase of 1 Pack per day)

PM-USA
1993-97 FYP #5

2073445469

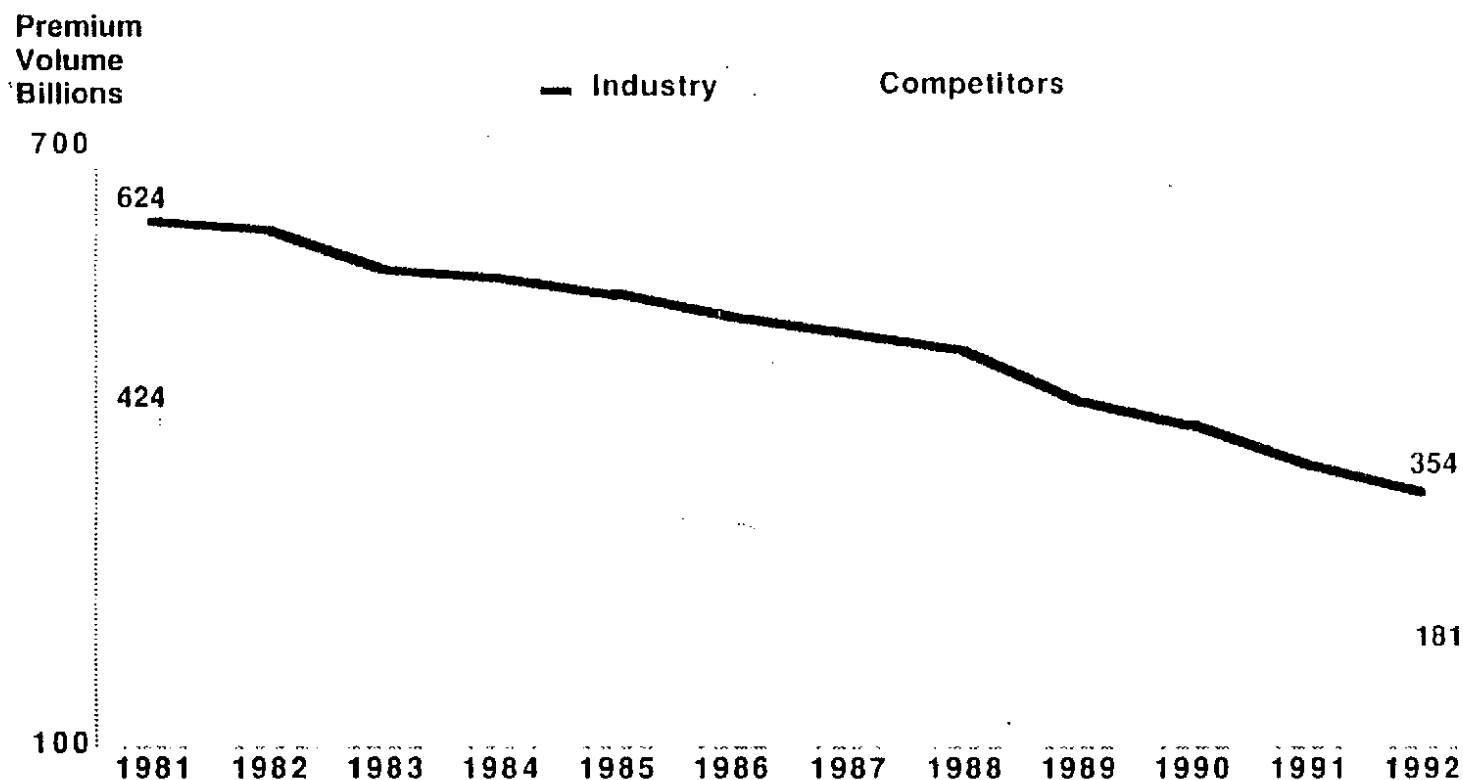
Since 1983 discount volume has been growing at a compound annual rate of 25.5% (1989-92 CAG 25.2%)



PM-USA
FYP Pres. 2/10/93 #4

2073445470

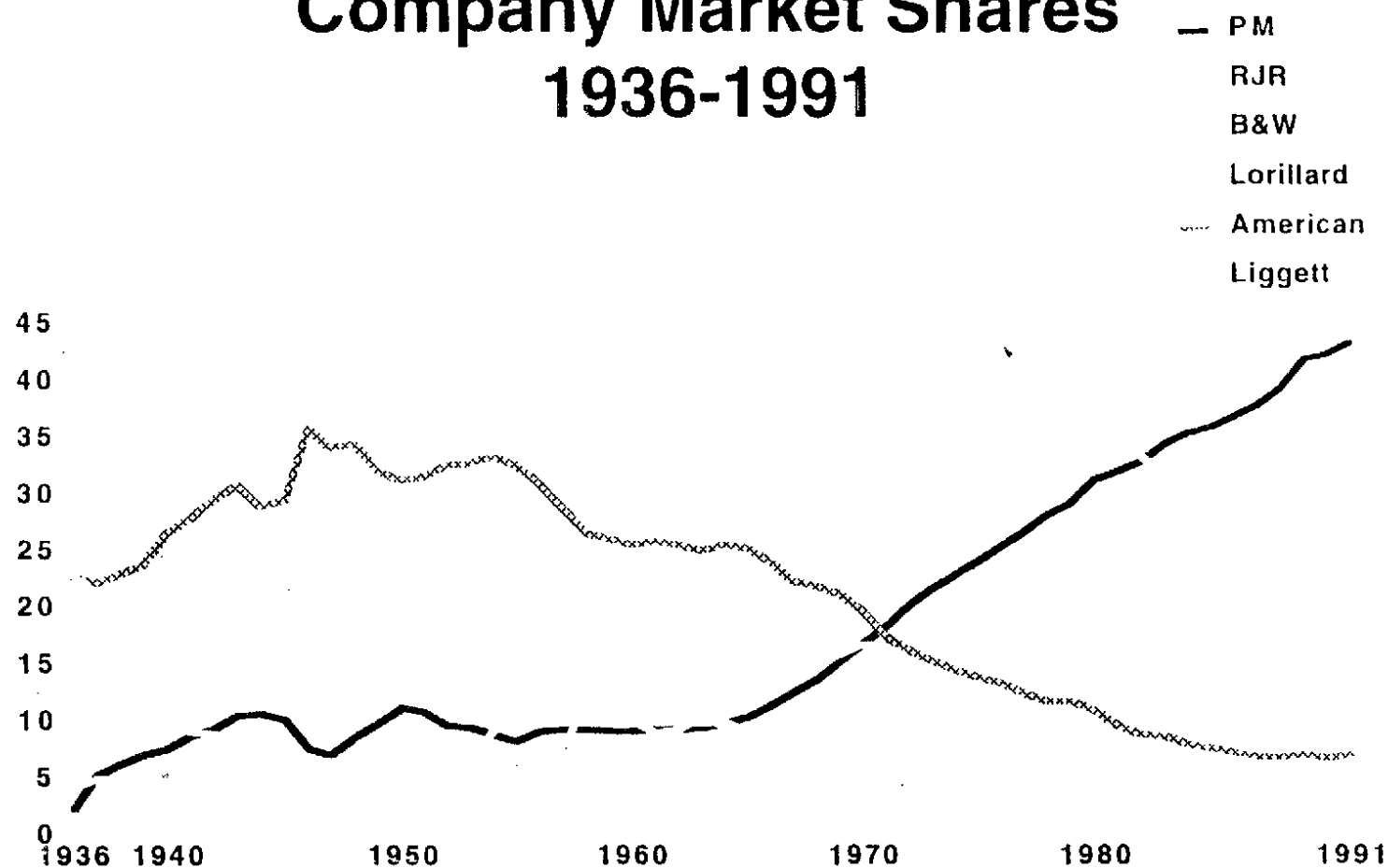
Since 1981, premium volume has dropped 5% annually, 270 billion units, with PM-USA's competitors accounting for 90% of the loss (1989-92 CAG - 7.4%)



PM-USA
1993-97 FYP Pres 2/10/93 #2

2073445471

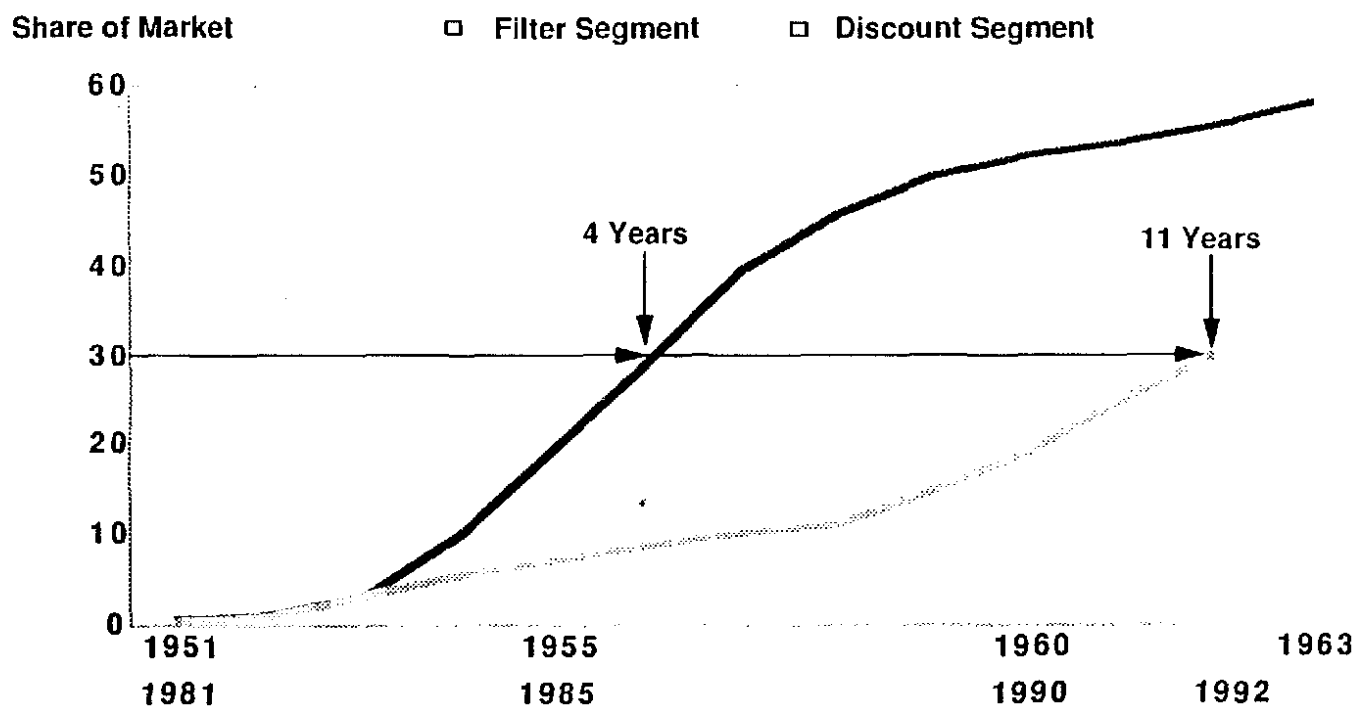
Company Market Shares 1936-1991



PM-USA
1993-97 FYP Pres. 2/10/93

2073445472

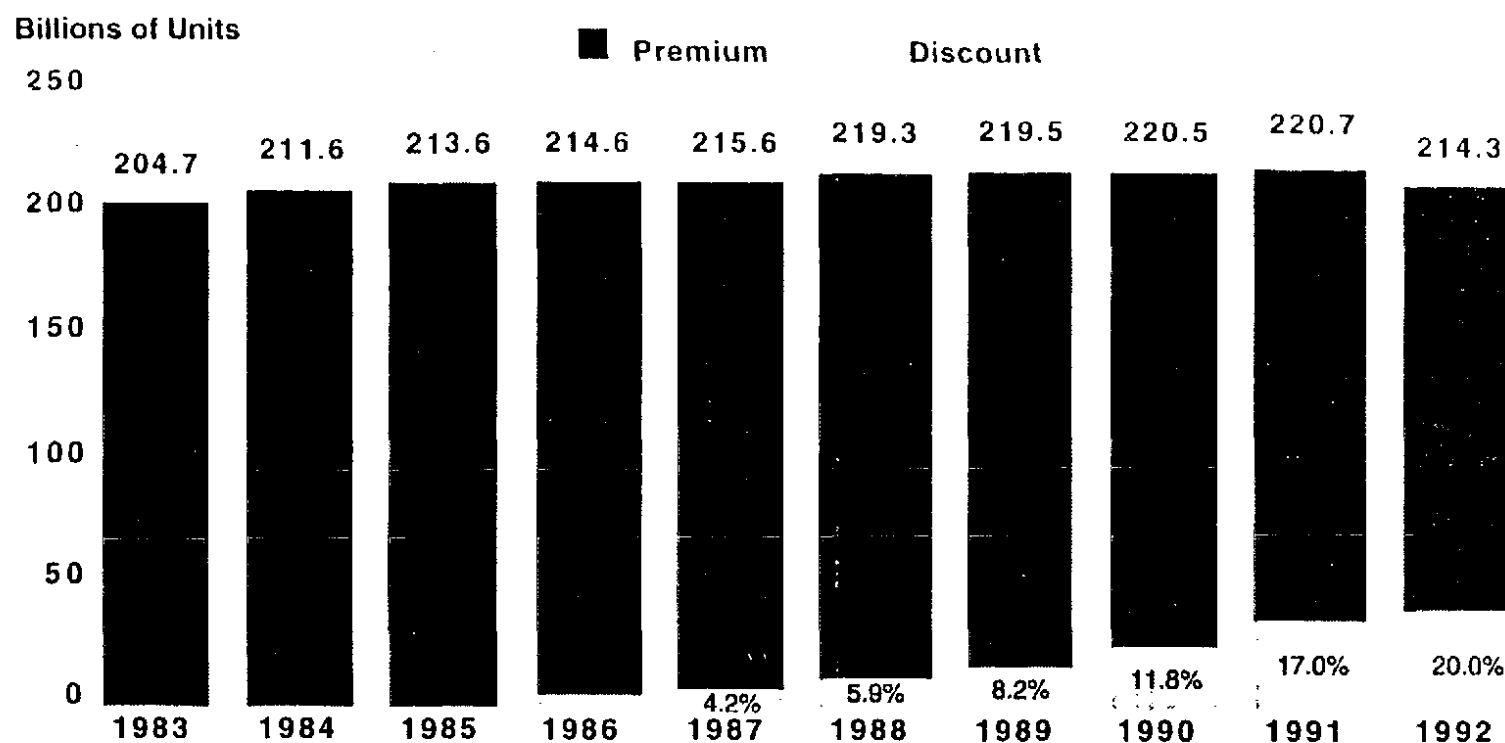
Introduced in 1947, filtered cigarettes did not grow rapidly until the health controversies of the early 1950's.
 Introduced in 1981, discount cigarettes grew steadily as premium prices widened the gap with discount



PM-USA
 1993-97 FYP Pres. 2/10/93

2073445473

Philip Morris is following the industry trend with about a 3 year lag

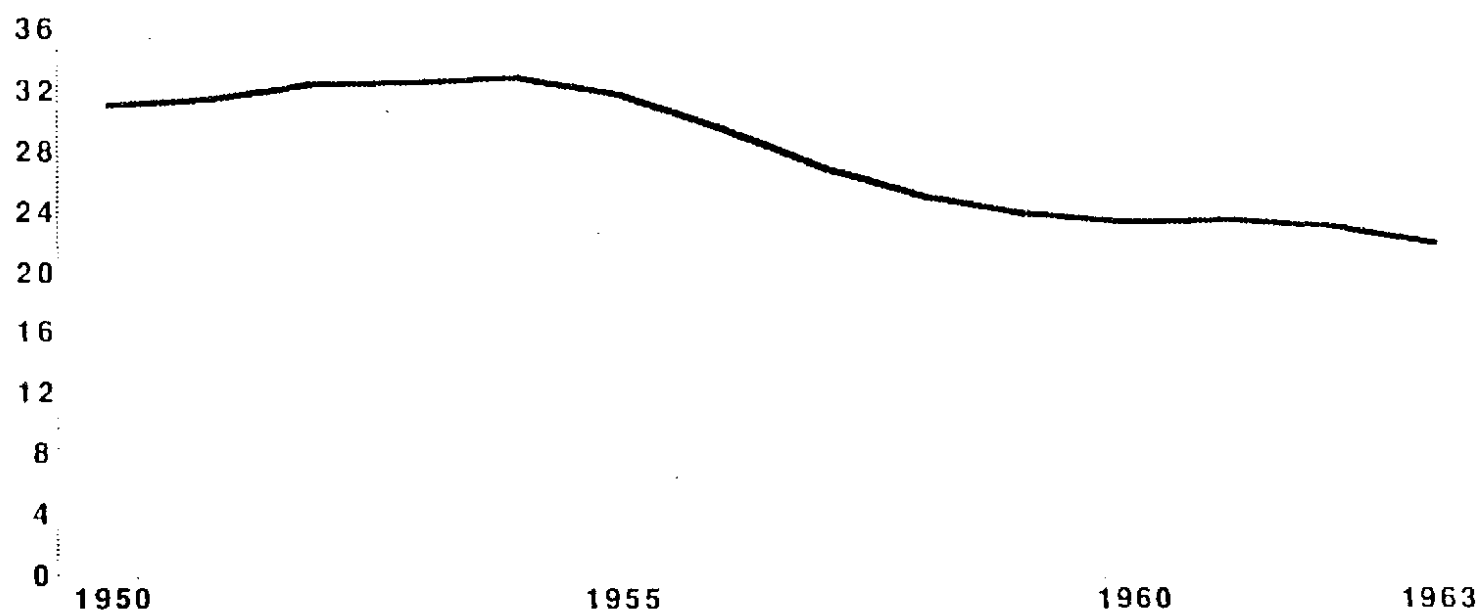


PM-USA
1993-97 FYP Pres. 2/10/93

2073445474

American was able to hold its SOM during the early years of filter growth, most likely due to its strength among entering smokers.

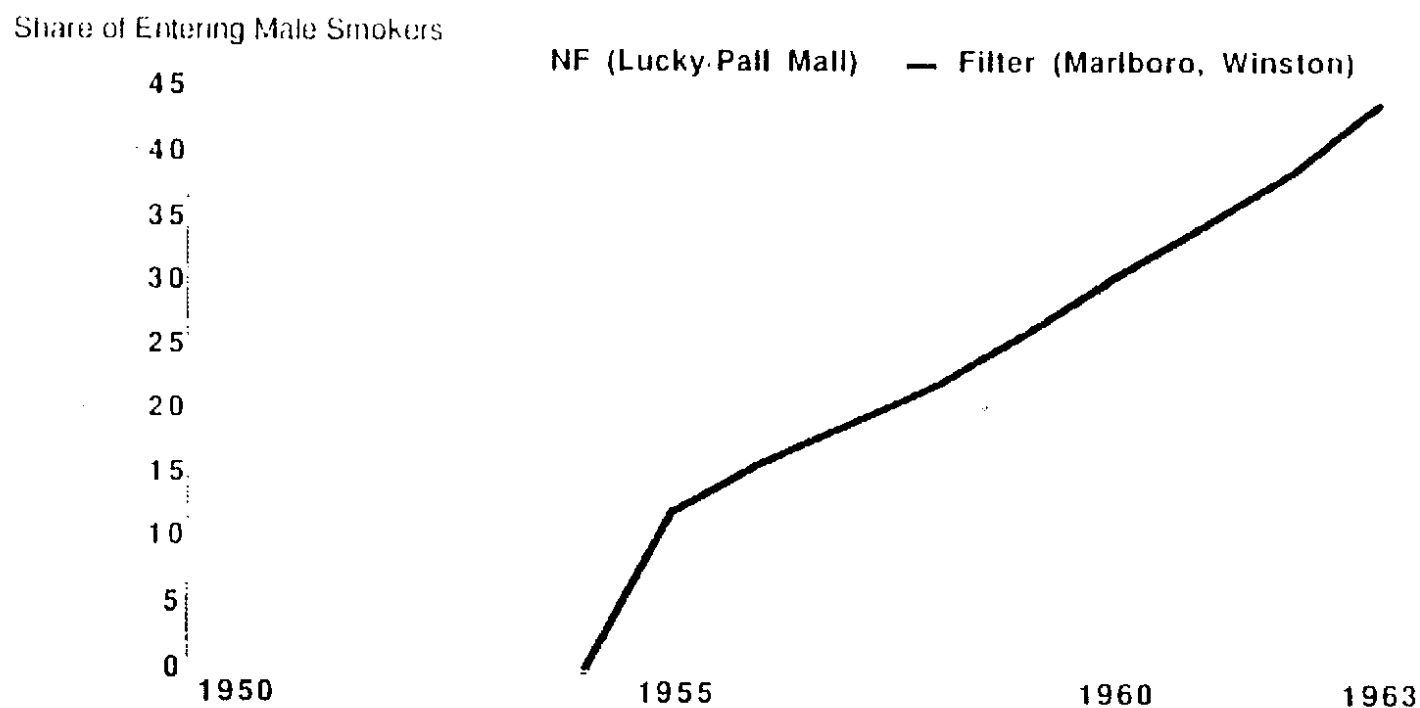
Share of Market



PM-USA
1993-97 FYP Pres 2/10/93

2073445475

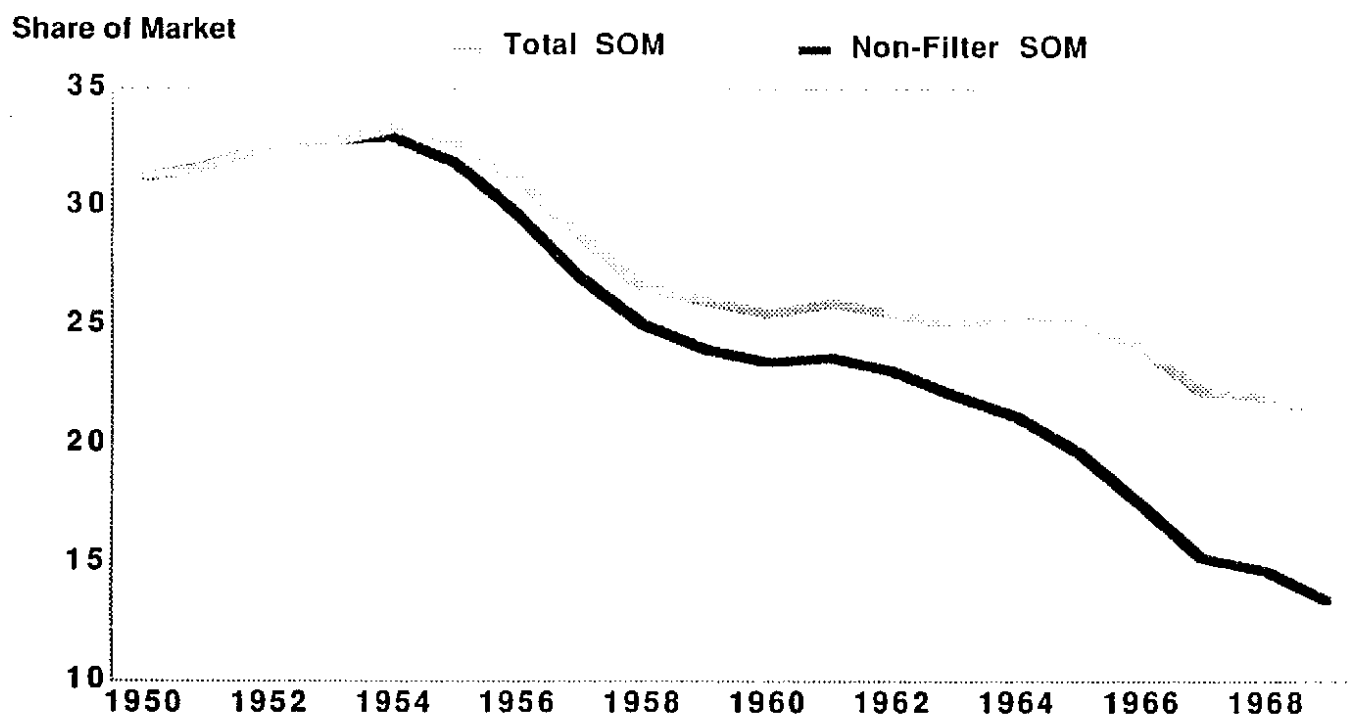
American's overall share finally began declining once its Non-Filters share of entering smokers declined and filters grew.



PM-USA
1993-97 FYP Pres. 2-10-91

2073445476

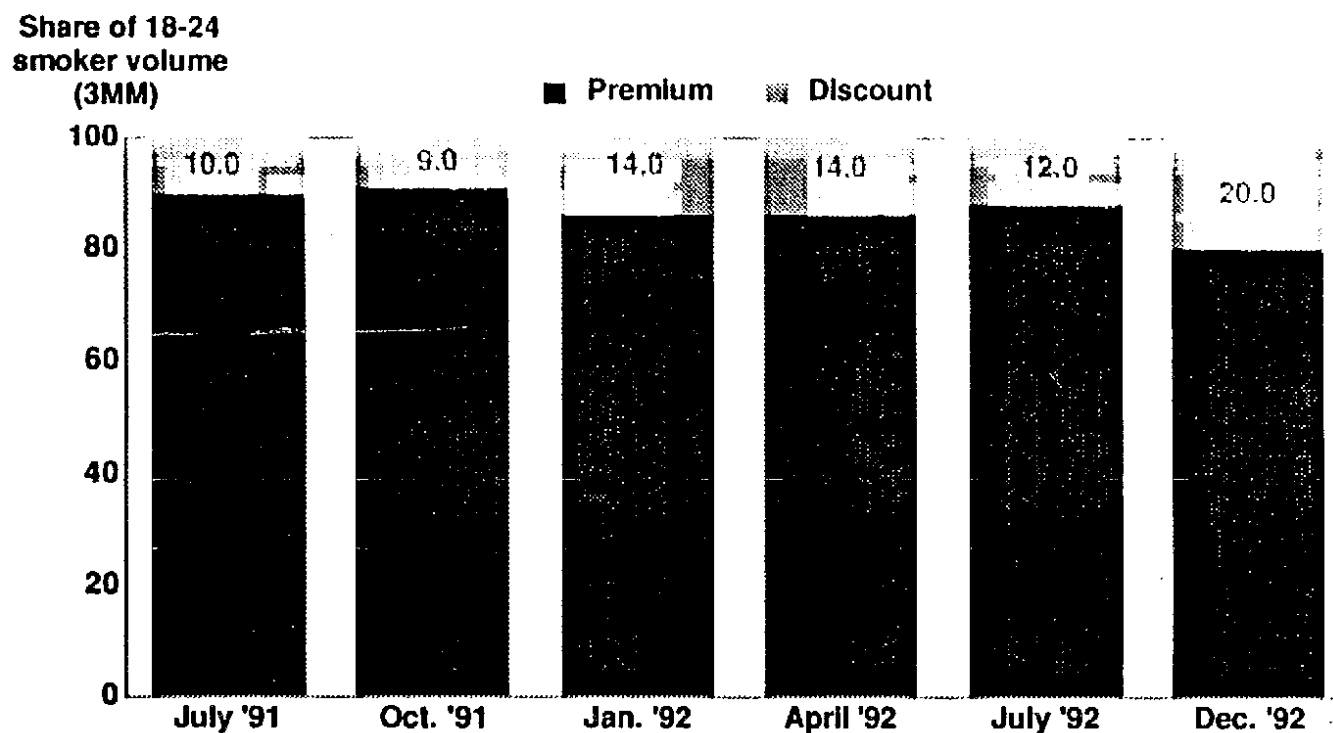
American's market share declined because its filter share gains did not offset the non-filter share losses.



PM-USA
1993-97 FYP Pres. 2/10/93

2073445477

Discount's share of 18-24 year old volume has doubled since July 1991.

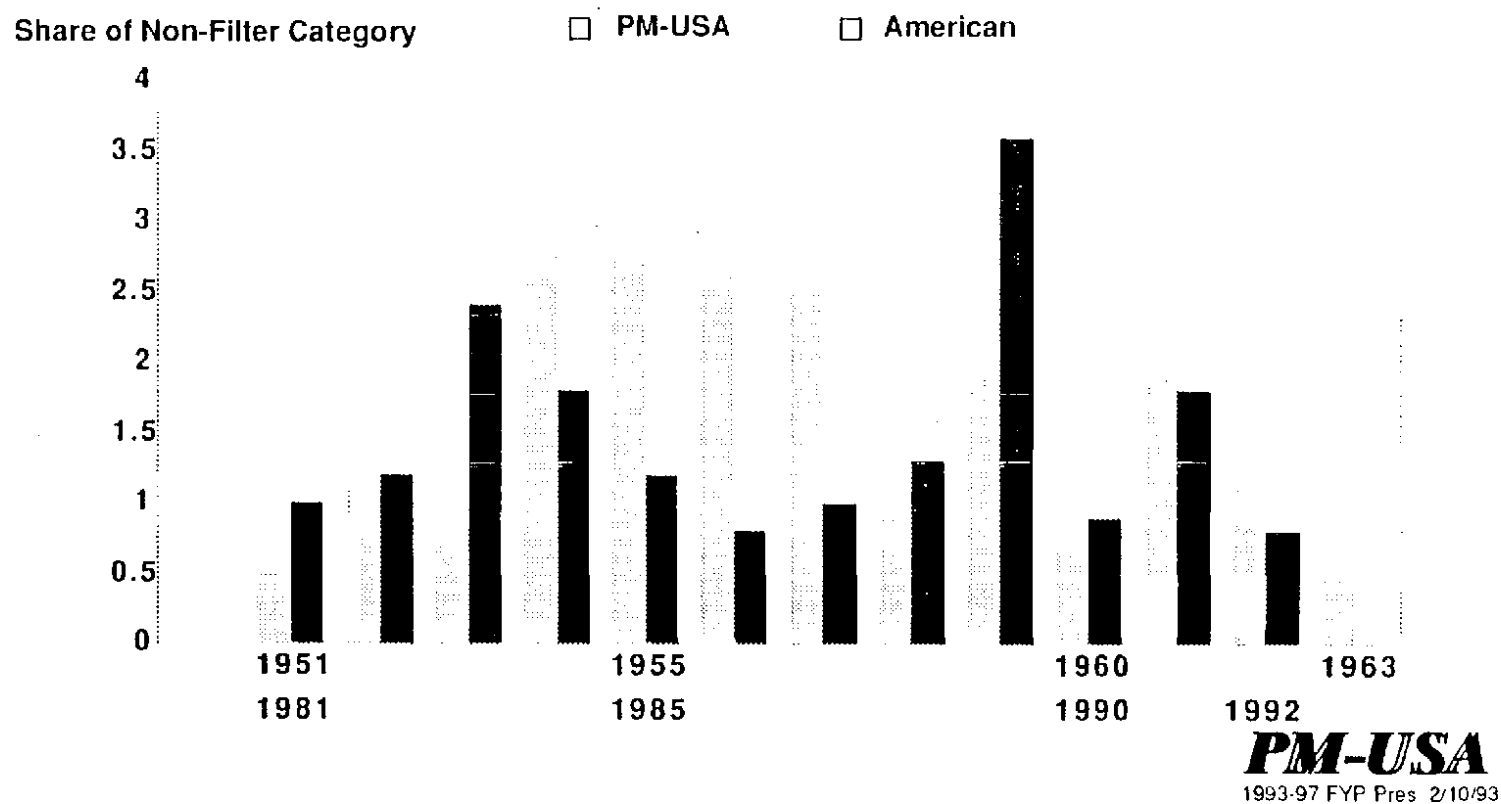


PM-USA
1993-97 FYP #5

2073445478

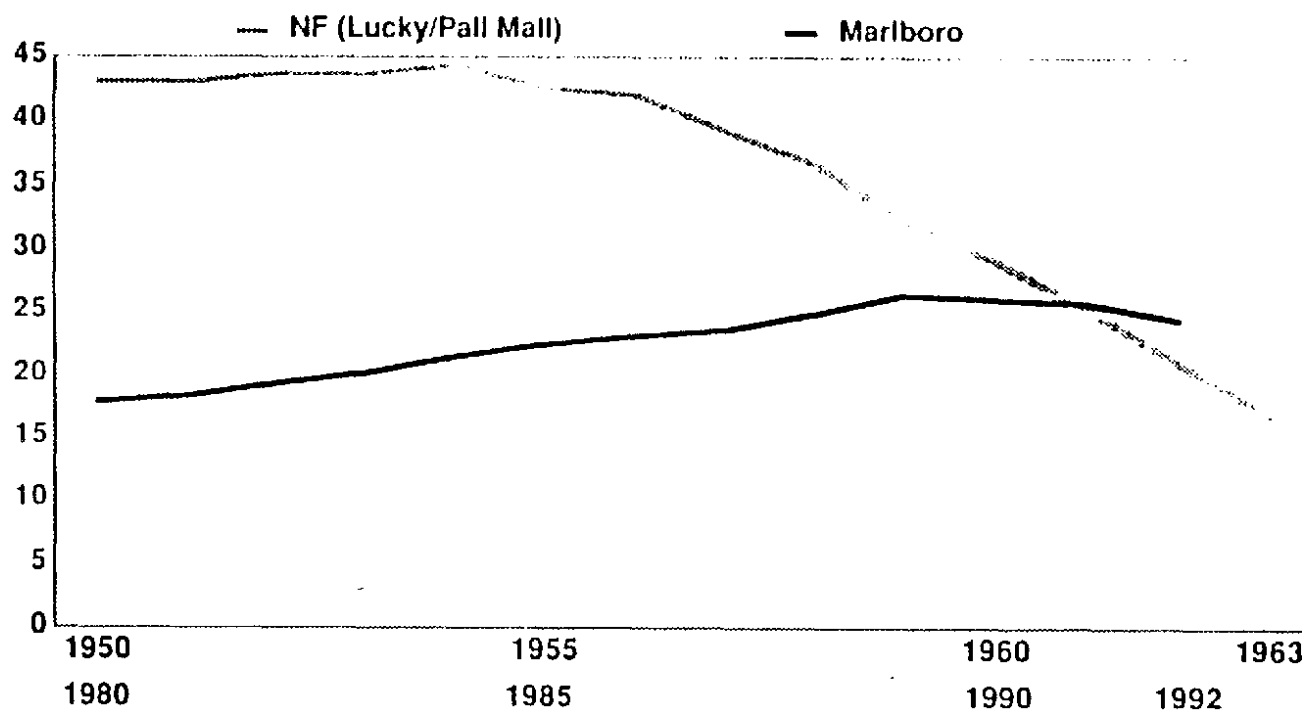
American's share of the declining non-filter category rose almost three points each year.

PM-USA's share growth in the declining premium category is also strong.



2073445479

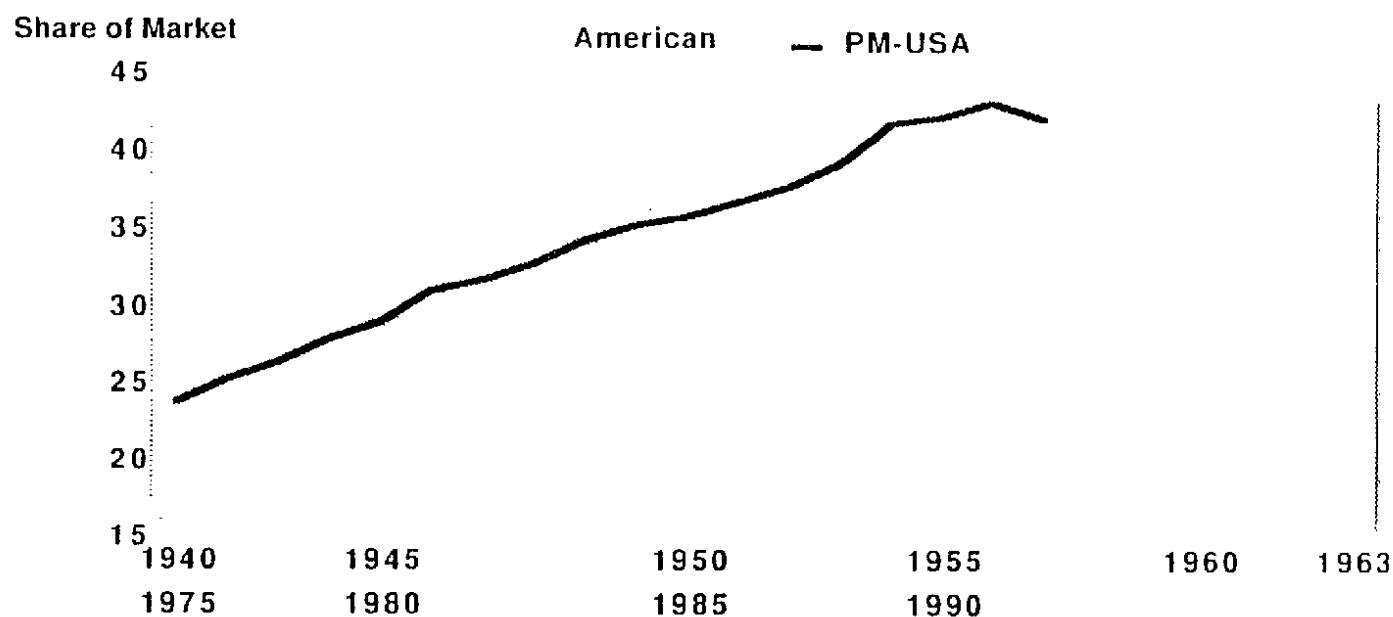
American's Non-Filters (Lucky Strike and Pall Mall) lost share as filters started to dominate the market. Marlboro's share peaked in 1989 and has declined as discount growth has accelerated.



PM-USA
1993-97 FYP Pres 2/10/93

2073445480

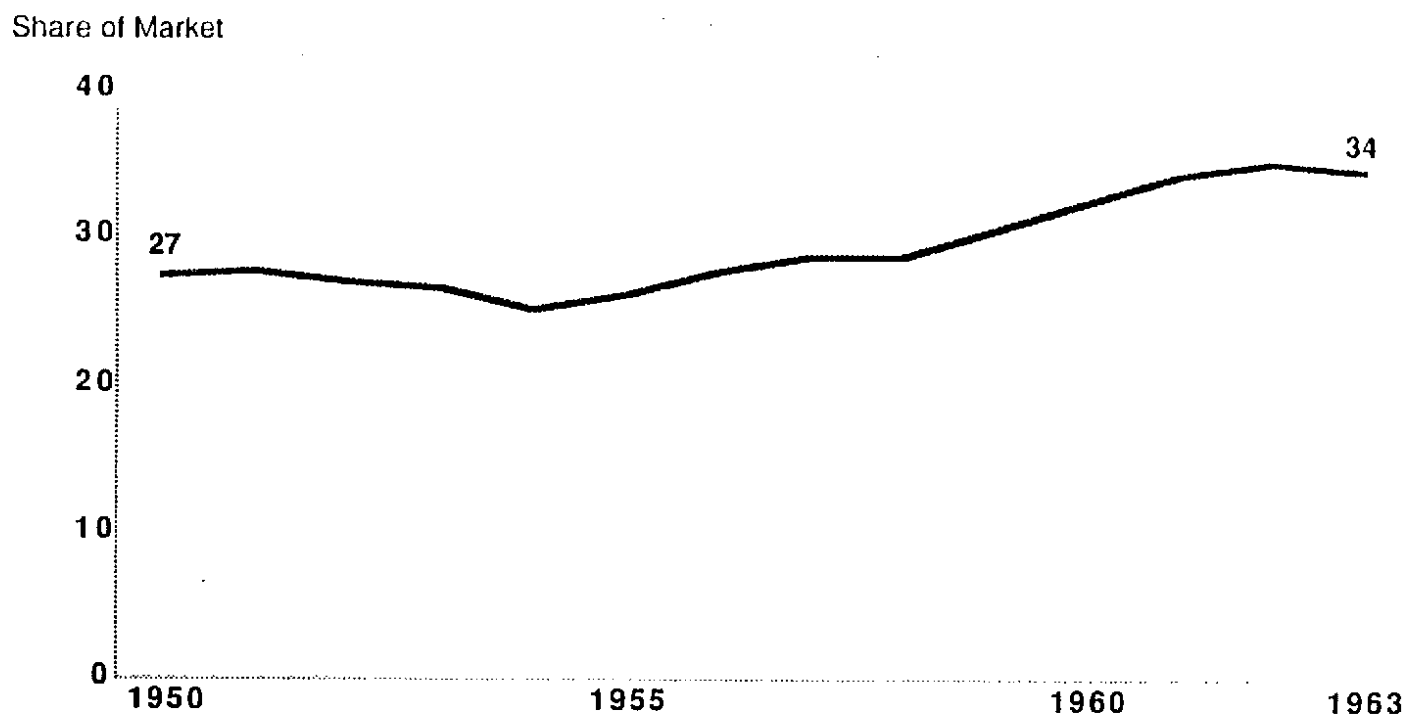
PM-USA's overall share is weakening though its premium performance remains strong.



PM-USA
1993-97 FYP Pres 2-10/93

2073445481

After being surpassed by American in the 1930's, R.J. Reynolds grew its share of market during the rapid growth of the filter category.

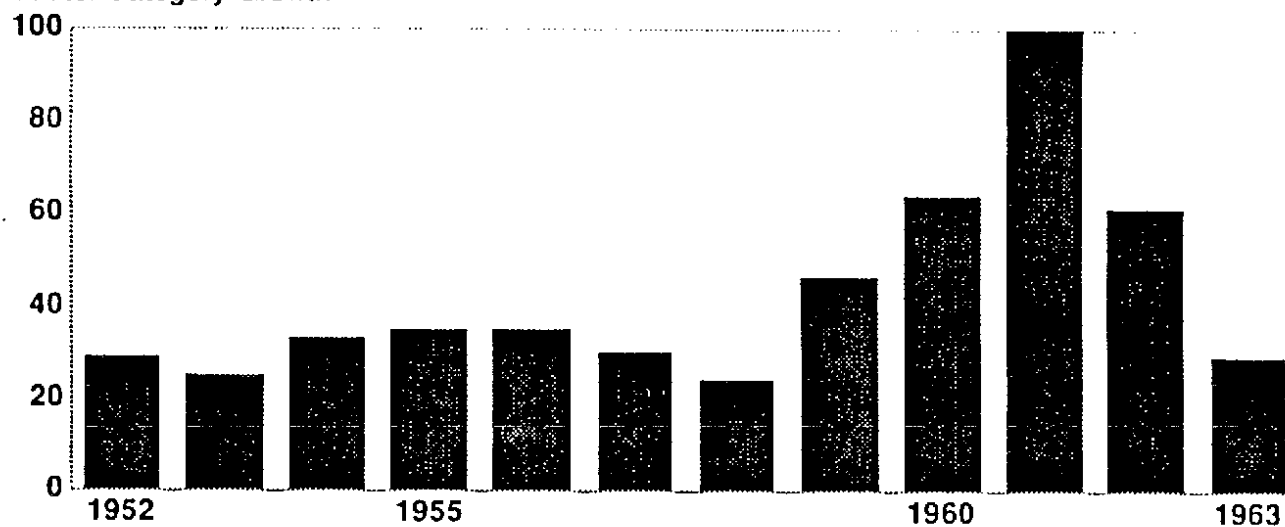


PM-USA
1993-97 FYP Pres. 2/10/93

2073445482

R J Reynolds consistently captured a substantial share of filter category growth.

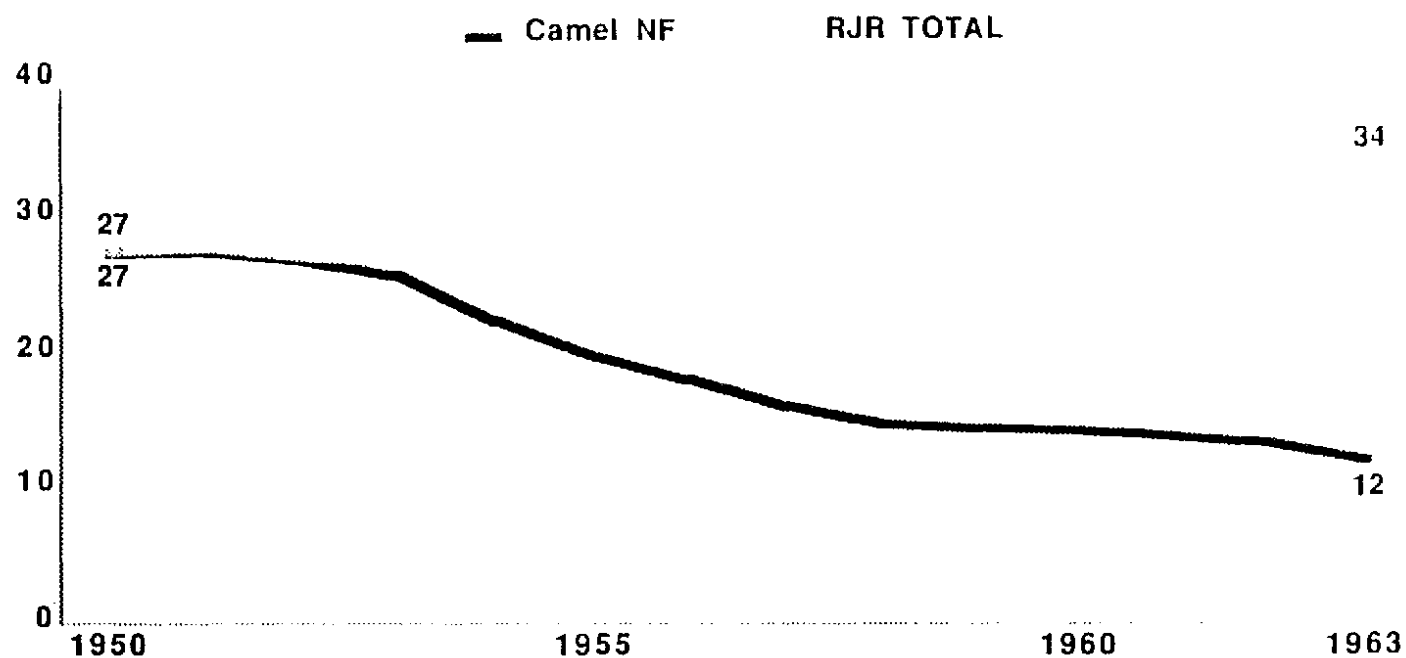
Percent of Filter Category Growth



PM-USA
1993-97 FYP Pres. 2/10/93

2073445483

R.J. Reynolds was able to hold their Market share because of their filter brands (Winston and Salem) even though Camel NF declined.

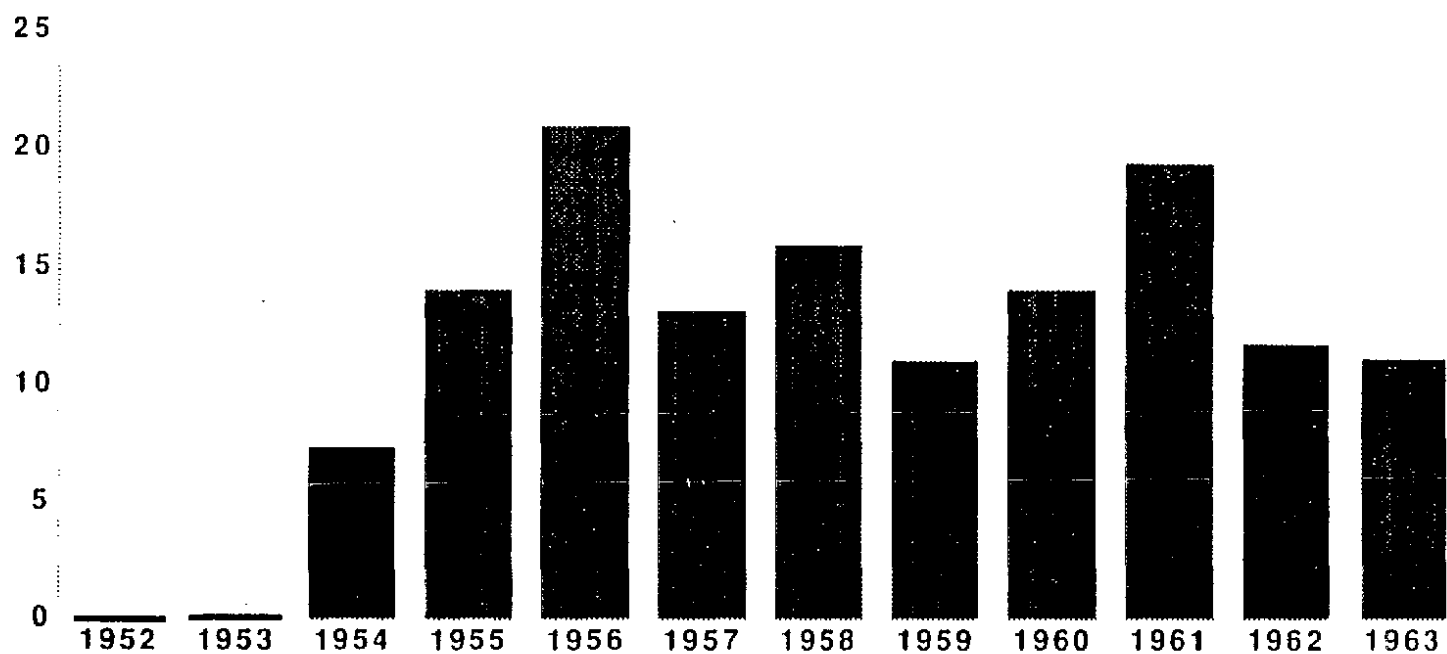


PM-USA
1993-97 FYP Pres 2/10/93

2073445484

Relative to its overall market share, PM-USA captured a sizeable portion of filter category growth.

Percent of Filter Category Growth

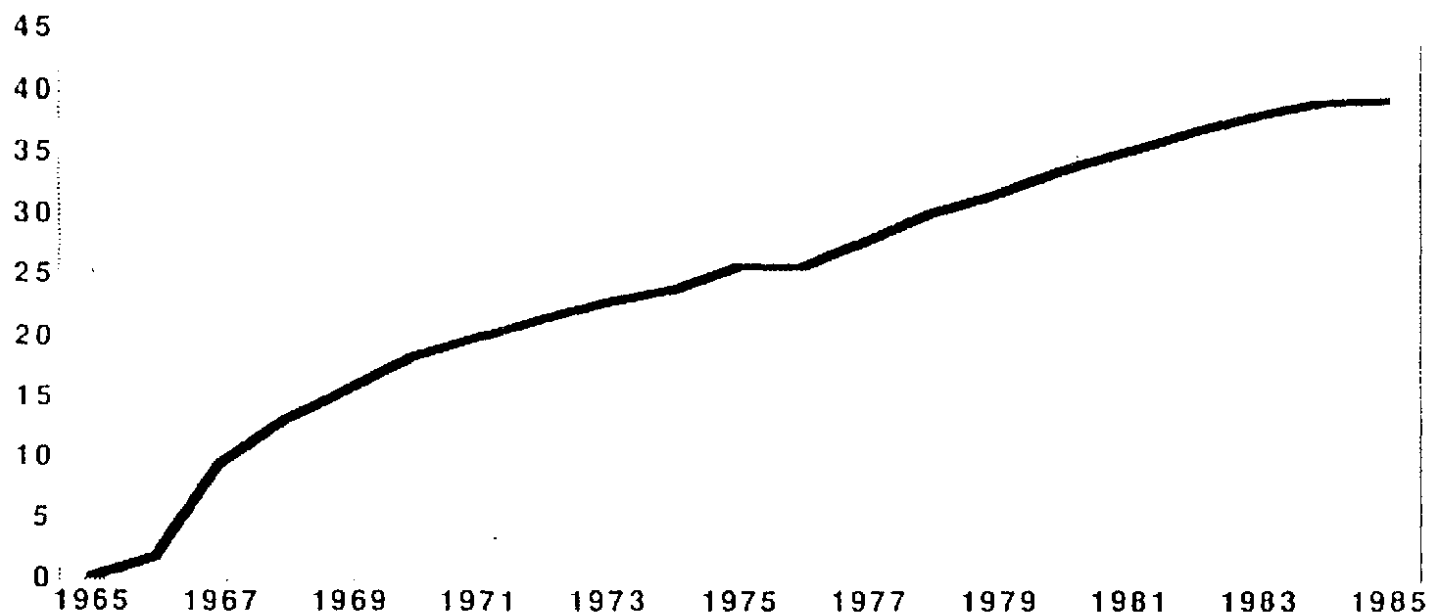


PM-USA
1993-97 FYP Pres. 2 10 93

2073445485

100's grew steadily after their introduction in 1965 and neared their peak by 1984.

Share of Market

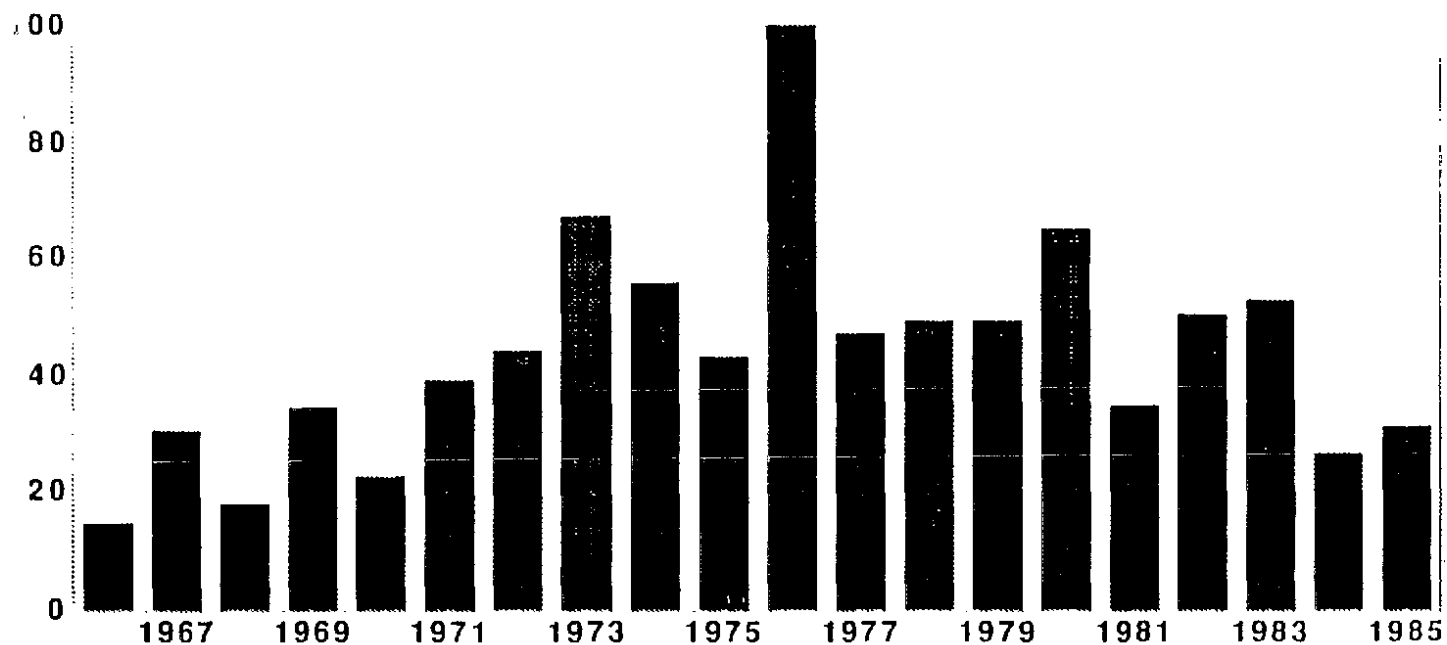


PM-USA
1993-97 FYP Plus 2/10/93

2073445486

PM-USA's brands captured a substantial portion of the 100mm category's growth.

Percent of Growth

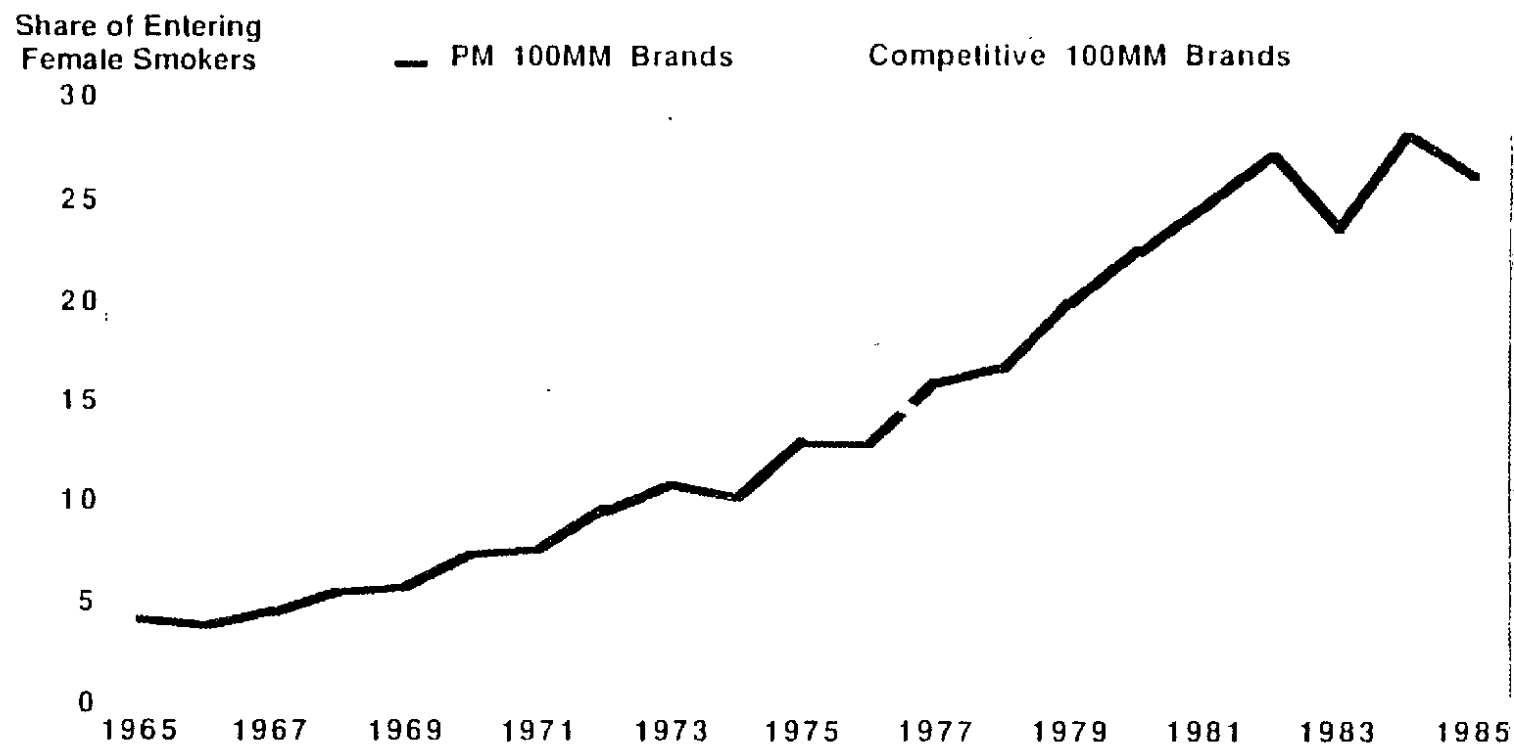


PM-USA

1993-97 FYP Pres 2/10/93 #2

2073445487

PM's 100mm brands were chosen by more entering female smokers than all competitors' 100mm brands starting in 1977.

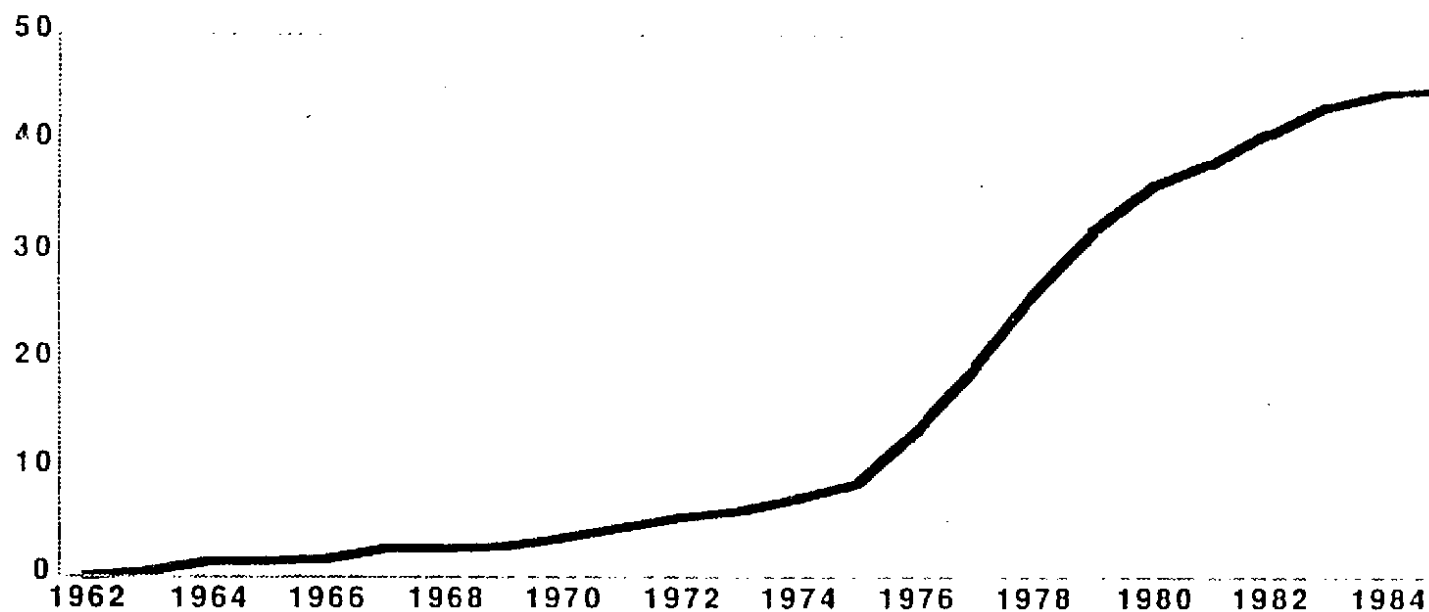


PM-USA
FYP Pro 12191

2073445488

The low tar category grew rapidly from the mid-70's to mid-80's.

Share of Market

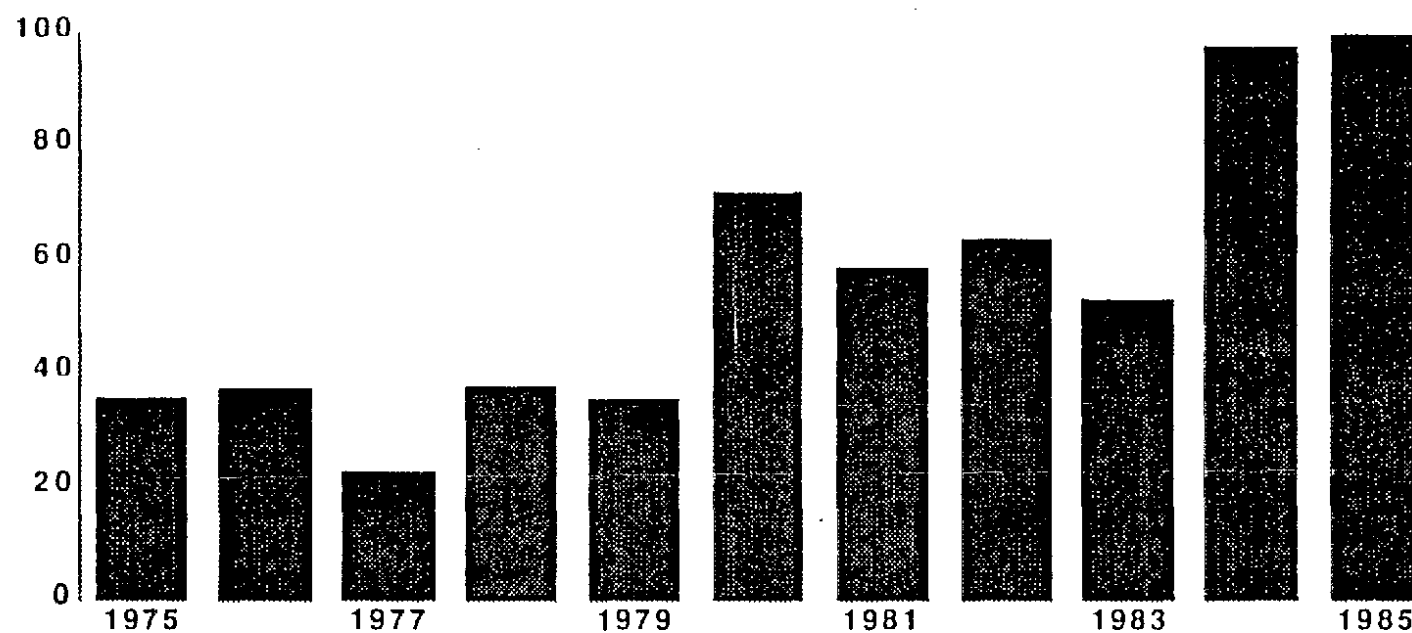


PM-USA
1993 97 FYP Pres. 2/10 93

2073445489

PM-USA has consistently gotten a large share of the low tar category's growth.

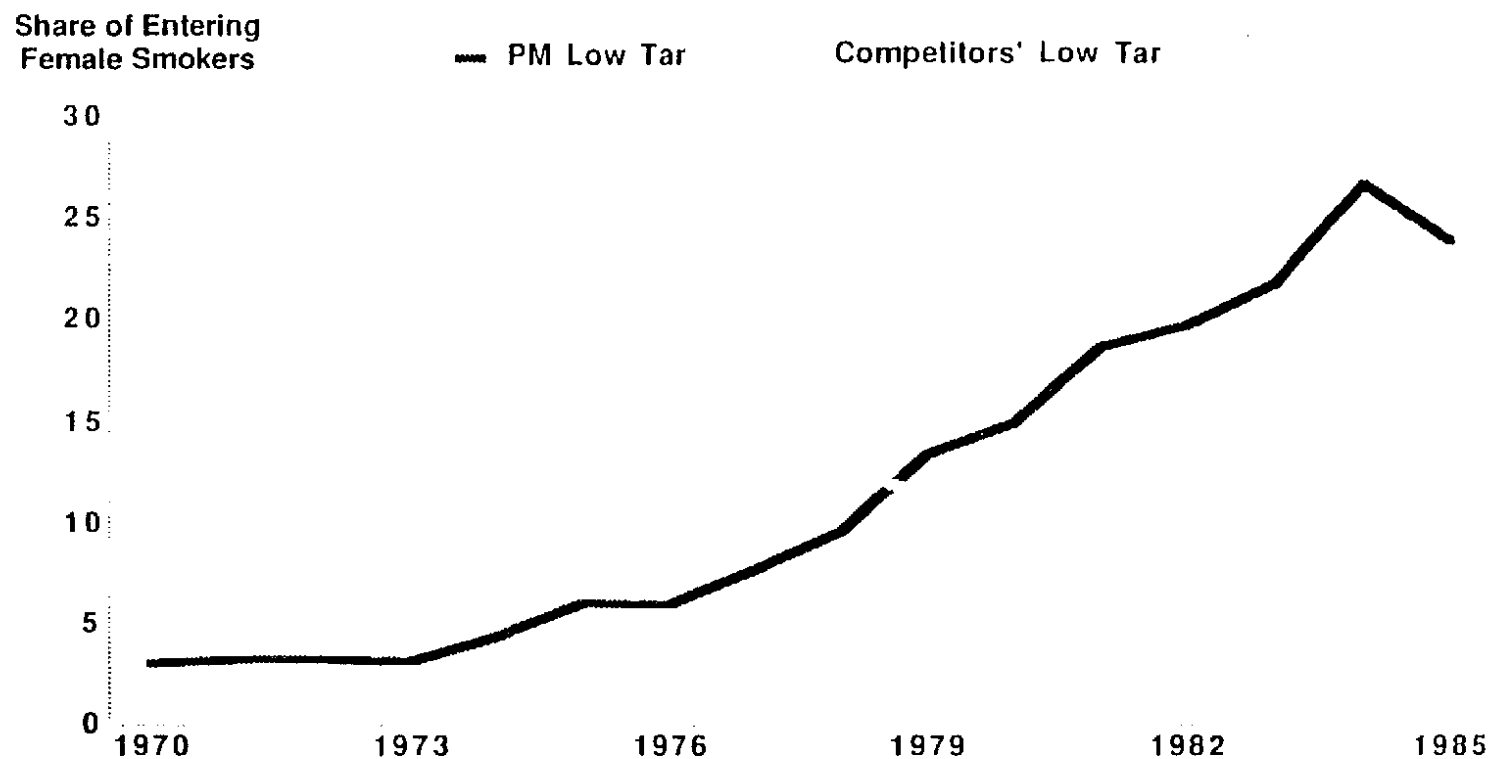
Share of Category Growth



PM-USA
1993-97 FYP Pres 2/10/93

2073445490

PM's low tar brands were chosen by more entering female smokers than all competitors' low tars starting in 1979

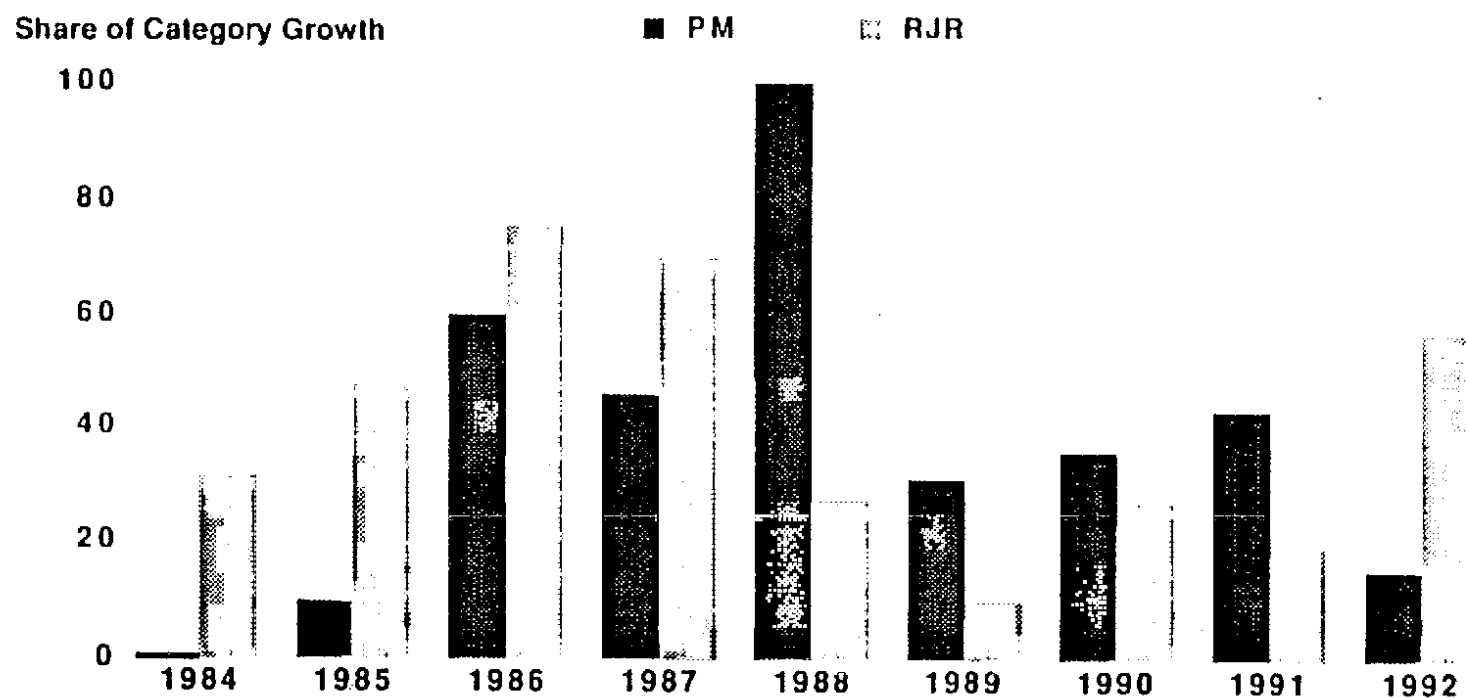


PM-USA

FYP Pres 1 21:93

2073445491

Between 1988 and 1991 PM-USA captured a greater share of discount growth than RJR.



Source: MSA Shipments

PM-USA
1993-97 FYP Pres 2/10/93

2073445492

R J Reynolds has a larger share of young adults' discount purchases than PM-USA.

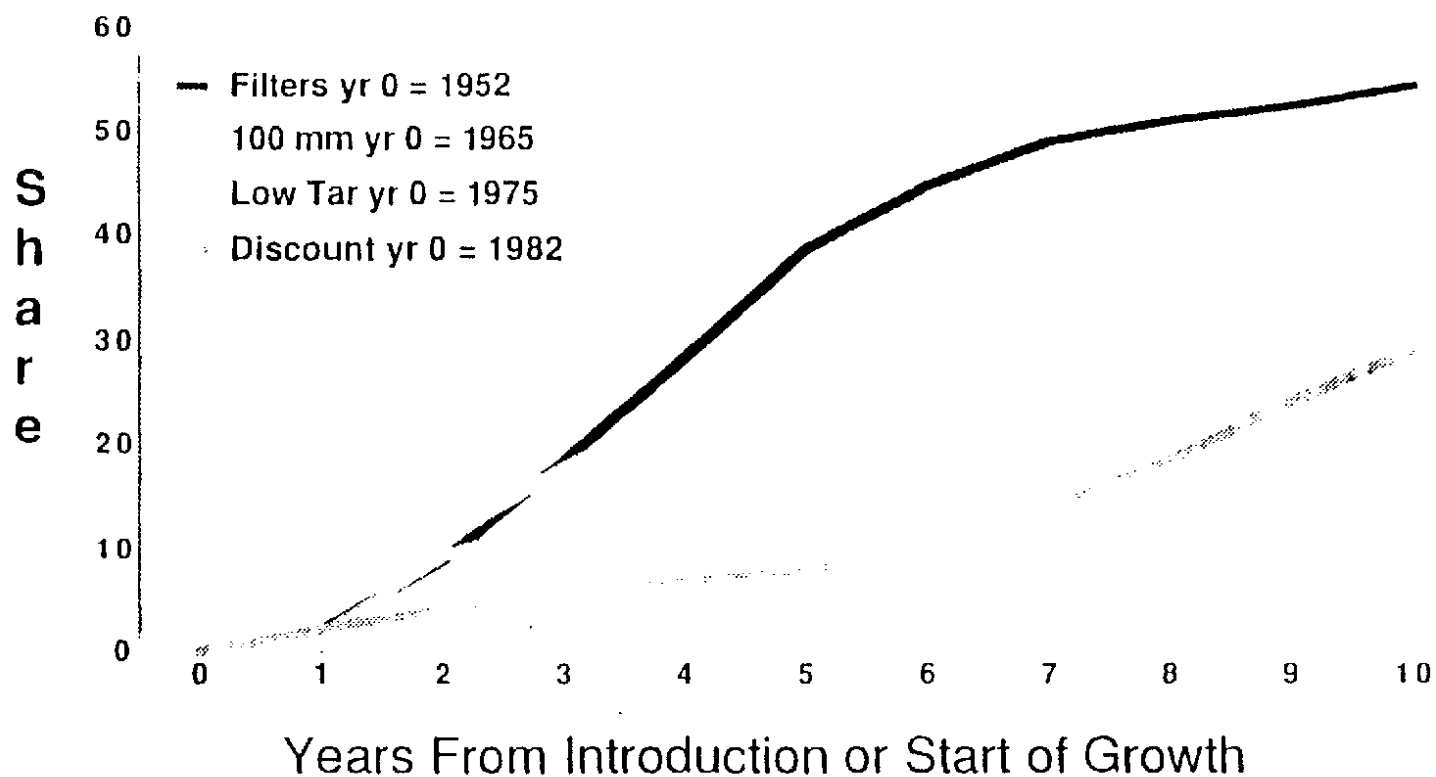
Percent of 18-24 year olds' discount purchases

	<u>1991</u>	<u>1992</u>
PM-USA	27.9%	28.7%
RJR	38.1	35.8
American	13.7	17.9
B&W	16.8	12.5

PM-USA
1993-97 FYP Pres. 2/10/93

2073445493

The discount category has shown growth similar to other secular trends in the marketplace.

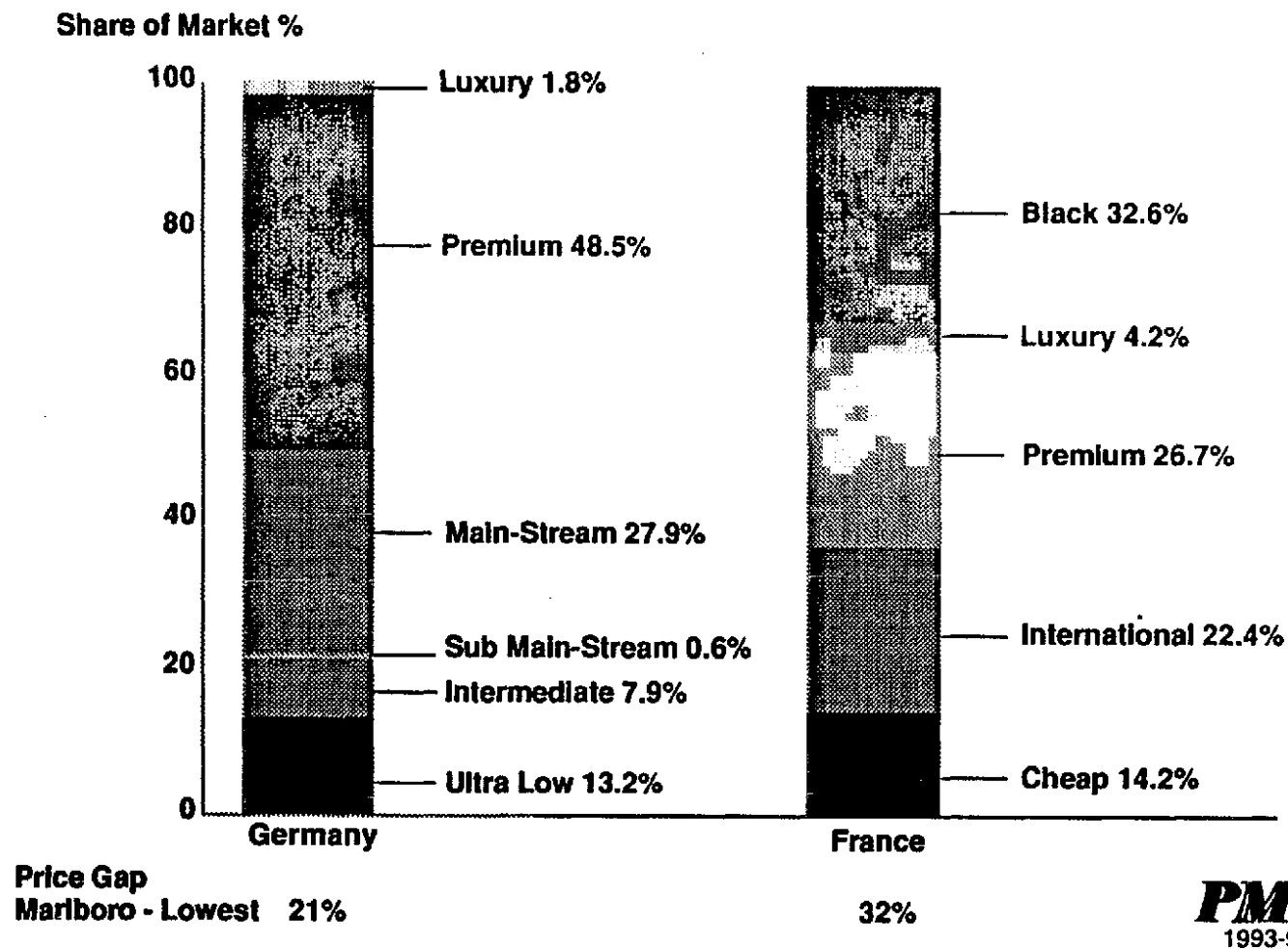


PM-USA

1993-97 FYP Pres. 2/10/93

2073445494

In both France and Germany, at least one mid-tier separates Marlboro from the lowest price brands.



2073445495

Implications

- Discount looks like major market shift
- Its magnitude is more than 100mm, less than filters, perhaps closest to low tar
- Market leaders are especially vulnerable in such shifts
- Some evidence of PMUSA's vulnerability
- RJR may be playing same role now as it did with American in the 1950s

PM-USA
FYP Pres. 2/10/93 #4

2073445496

Current Downside

	<u>1992</u>	<u>1997</u>	<u>CAG</u>
Industry Volume	506.8	442.0	-2.7%
Premium	353.7	176.5	-12.9%
Discount	153.1	265.2	+11.6%
Discount Share	30.2%	60.0%	
PM-USA Volume	214.3	192.5	-2.1%
Premium	172.8	100.6	-10.3%
Discount	41.5	91.9	+17.2%

PM-USA
1993-97 FYP Pres 2/10/93 #2

2073445497

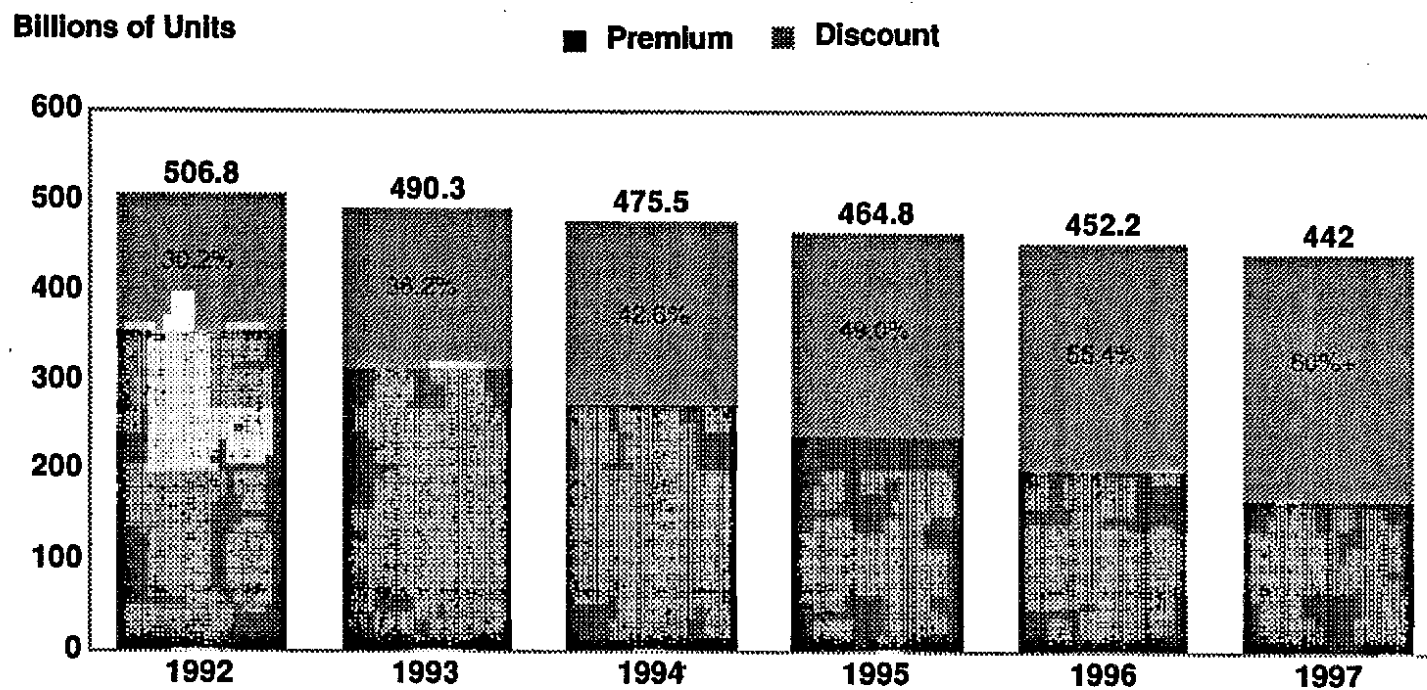
Scenario Comparison (1997)

	<u>Current</u>	<u>Downside</u>
Industry Volume	442.0	442.0
Premium	220.1	176.5
Discount	221.9	265.2
Discount Share	50.2	60.0
PM-USA Volume	194.3	192.5
Premium	125.3	100.6
Discount	69.0	91.9

PM-USA
1993-97 FYP #5

2073445498

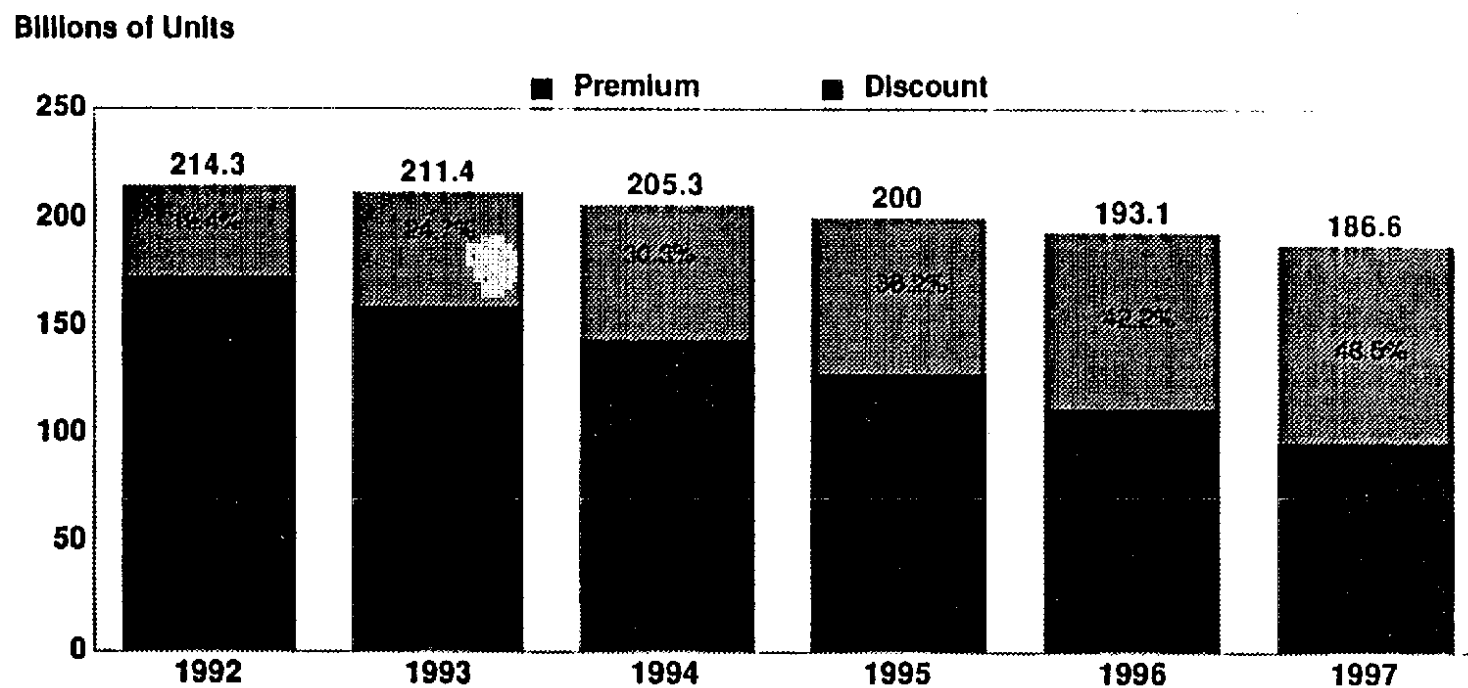
The Discount category will come to dominate the market.



PM-USA
FYP Pres. 2/10/93 #4

2073445499

Philip Morris' trend will continue to lag the industry over the plan period



PM-USA
FYP Pres. 2/10/93 #4

2073445500

Current Downside Total Volume

	<u>1987</u>	<u>1992</u>	<u>87-92 CAG</u>	<u>1997</u>	<u>92-97 CAG</u>
PM-USA	215.6	214.3	-0.1%	186.6	-2.7%
RJR	185.3	146.2	-4.6	140.2	-0.8
B&W	62.7	60.2	-0.8	49.0	-4.0
Lorillard	46.7	36.5	-4.8	26.9	-5.9
American	39.3	34.3	-2.7	24.8	-6.2
Liggett	20.4	15.2	-5.7	14.5	-0.8
<hr/> Total	<hr/> 570.0	<hr/> 506.8	<hr/> -2.3%	<hr/> 442.0	<hr/> -2.7%

PM-USA
1993-97 FYP Pres 2/10/93 #2

2073445501

Current Downside Premium Volume

	<u>1987</u>	<u>1992</u>	<u>87-92</u> <u>CAG</u>	<u>1997</u>	<u>92-97</u> <u>CAG</u>
PM-USA	206.6	172.8	-3.5%	96.0	-11.1%
RJR	163.1	95.4	-10.2	29.8	-20.8
B&W	49.6	26.7	-11.7	9.3	-19.0
Lorillard	46.7	35.0	-5.6	25.3	-6.3
American	37.9	19.0	-12.9	6.4	-19.6
Liggett	7.8	4.7	-9.6	1.9	-16.6
<hr/> Total	<hr/> 511.7	<hr/> 353.7	<hr/> -7.1%	<hr/> 168.8	<hr/> -13.8%

PM-USA
1993-97 FYP Pres 2/10/93 #2

2073445502

Current Downside Discount Volume

	<u>1987</u>	<u>1992</u>	<u>87-92</u> <u>CAG</u>	<u>1997</u>	<u>92-97</u> <u>CAG</u>
PM-USA	9.0	41.5	+35.7%	90.6	+16.9%
RJR	22.2	50.8	+18.0	110.4	+16.8
B&W	13.1	33.5	+20.6	39.7	+3.4
Lorillard	0.0	1.5	N/A	1.6	+4.3
American	1.4	15.3	+61.3	18.4	+3.8
Liggett	12.6	10.5	-3.8	12.6	+3.7
Total	58.3	153.1	+21.3%	273.2	+12.3%

PM-USA
1993-97 FYP Pres 2/10/93 #2

2073445503

Current Downside

Assumptions:

PM SOP +1.6%

PM SOD Growth 40%

	<u>Price Increase</u>		<u>Effective Retail Price</u>		<u>New Gap</u>
	<u>Prem/BD</u>	<u>Deep Disc</u>	<u>Premium</u>	<u>Deep Disc</u>	
1992	\$6.00	—	\$1.91	\$1.05	82.3%
1993	\$6.00	\$6.00	\$2.23	\$1.27	74.9%
1994	\$8.00	\$1.00*	\$2.56	\$1.37	86.9%
1995	\$9.50	\$1.00	\$2.82	\$1.43	97.2%
1996	\$11.00	\$1.00	\$3.22	\$1.62	98.8%
1997	\$12.50	\$1.00	\$3.54	\$1.69	109.5%

* Off Invoice Allowance Increases \$5.00/thous

PM-USA
1993-97 FYP Pres 2-10-93 #2

2073445504

Current Downside

Income From Operations

	<u>PM-USA</u>	<u>Total Industry</u>	<u>Industry %Change</u>	<u>PM-USA Share of Industry</u>	
				<u>Total</u>	<u>Growth</u>
1992	5185	9450	4.5%	54.9%	100.0%
1993	5655	9963	5.4%	56.8%	91.6%
1994	5827	10104	1.6%	57.7%	100.0%
1995	5870	9924	-1.8%	59.2%	—
1996	5874	9747	-1.8%	60.3%	—
1997	5887	9597	-1.5%	61.3%	—
<i>CAG 92-97</i>	<i>2.6%</i>	<i>0.3%</i>			

PM-USA
1993-97 FYP Pres 2:10 93 #2

2073445505

Current Downside Profitability

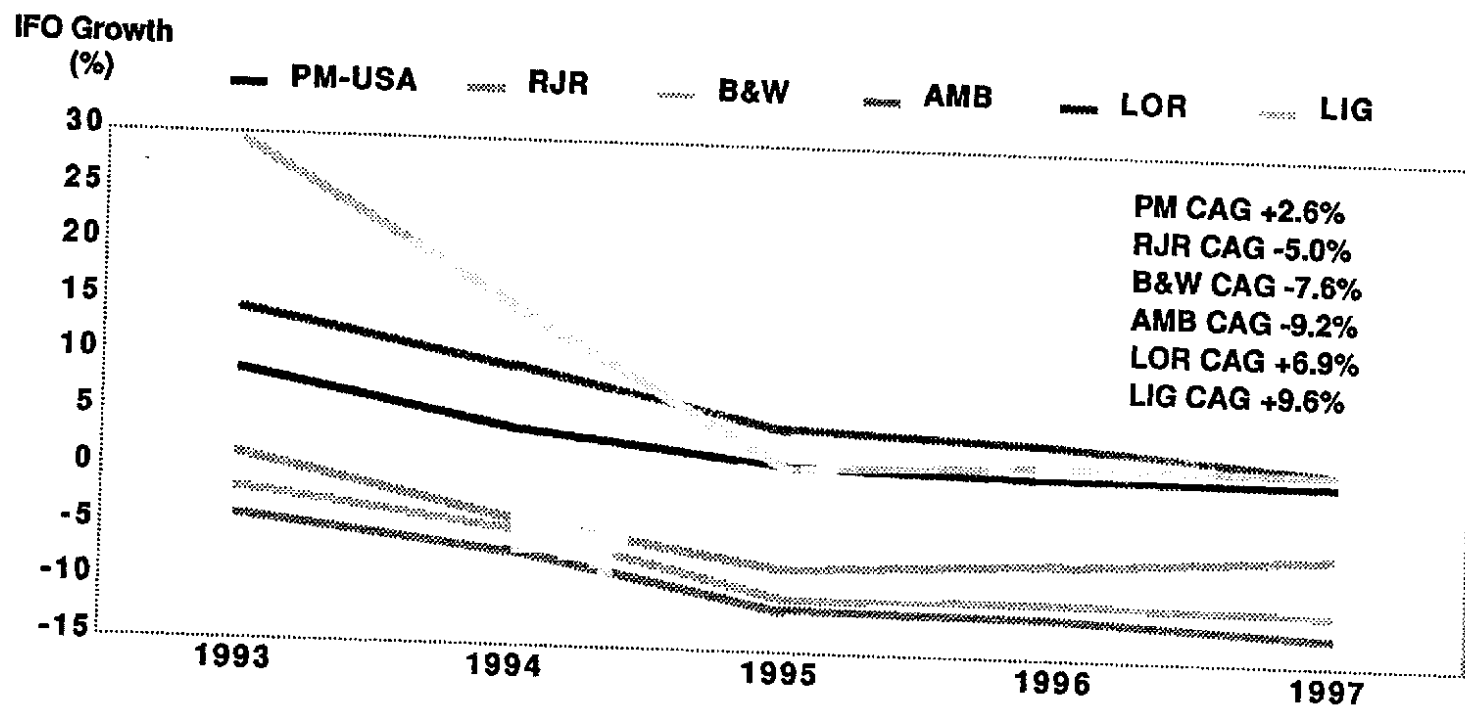
	<u>1987</u>	<u>1992</u>	<u>87-92</u> <u>CAG</u>	<u>1997</u>	<u>92-97</u> <u>CAG</u>
PM-USA	\$2,714	\$5,185	+13.8%	\$5,887	+2.6%
RJR	1,582	2,149	+6.3	1,638	-5.0
B&W	516	660	+5.0	446	-7.5
Lorillard	502	870	+11.6	1,216	+6.9
American	430	536	+4.5	330	-9.2
Liggett	57	50	-2.6	79	+9.6
<hr/> Total	<hr/> \$5,801	<hr/> \$9,450	<hr/> +10.2%	<hr/> \$9,597	<hr/> +0.3%

PM-USA
1993-97 FYP Pres 2/10-93 #2

2073445506

Current Downside

Annual IFO Growth

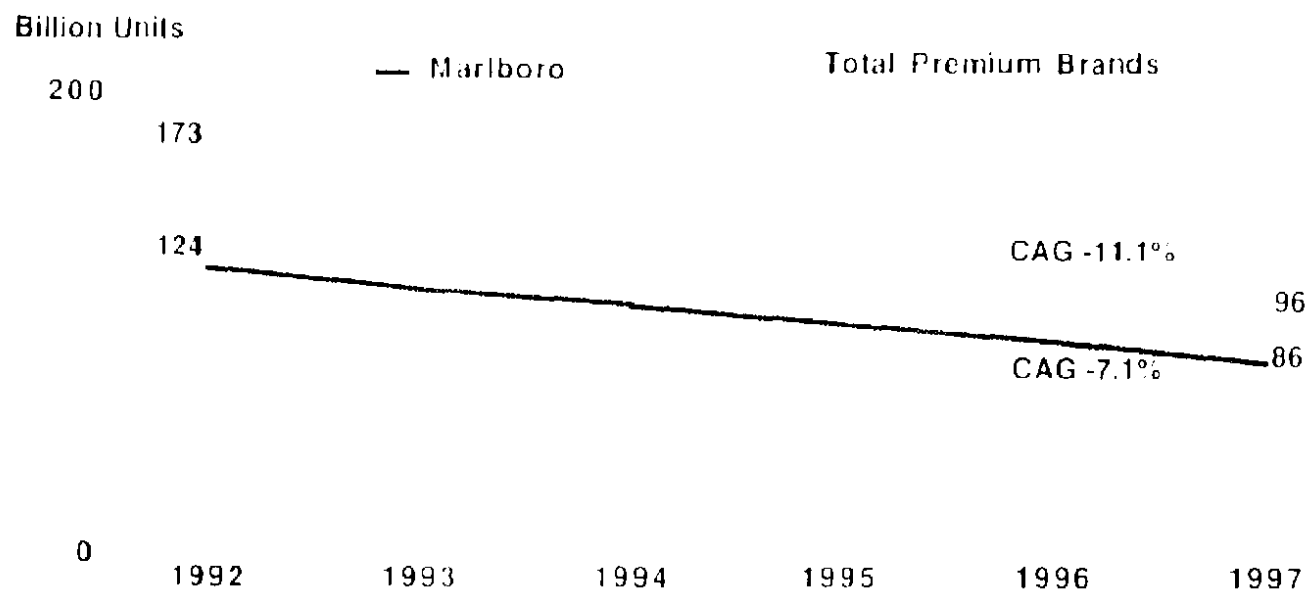


PM-USA
1993-97 FYP Pres. 2/10/93

2073445507

Current Downside

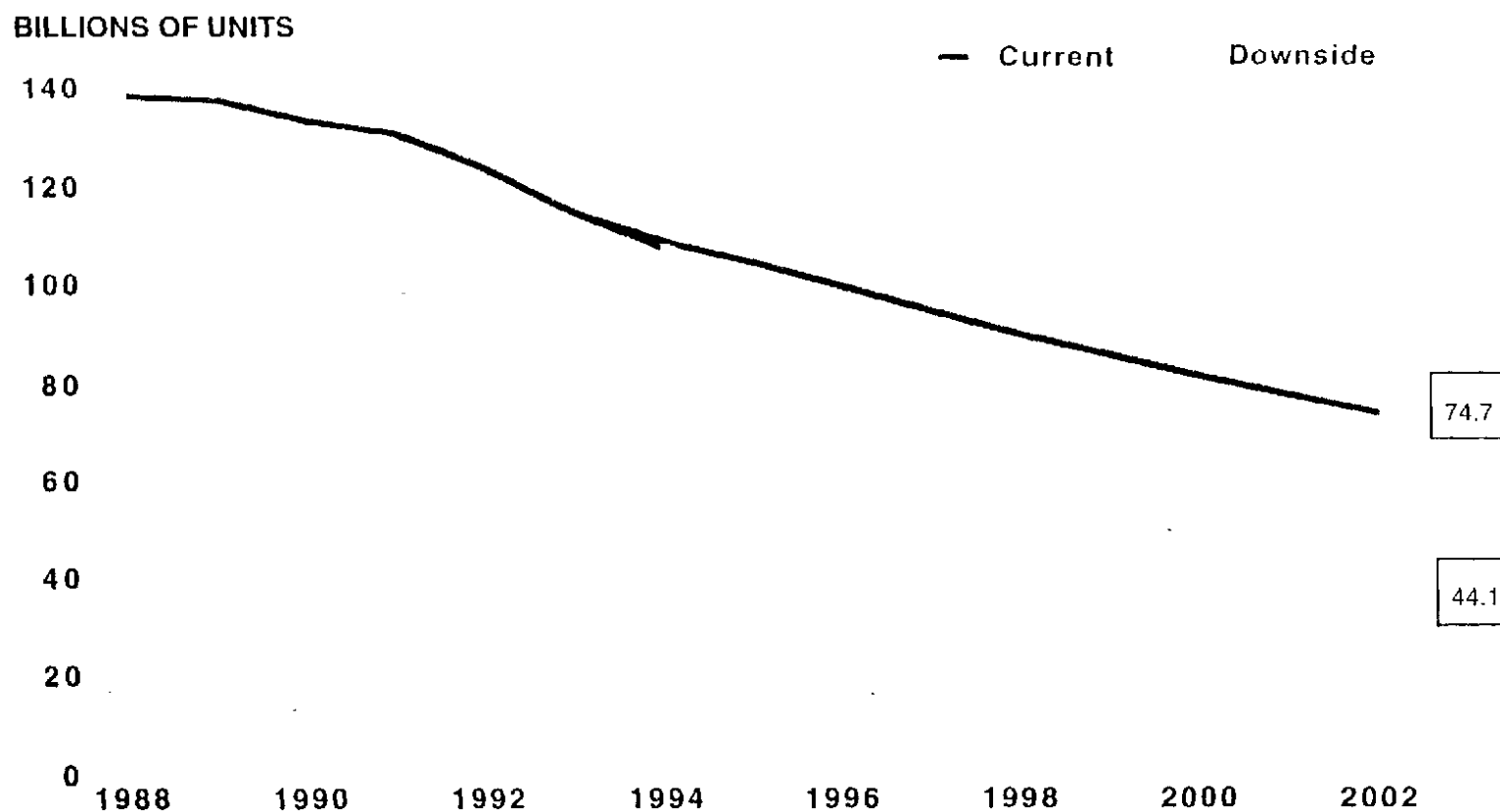
PM-USA Premium Volume Performance



PM-USA
1993-97 FYP Projections

2073445508

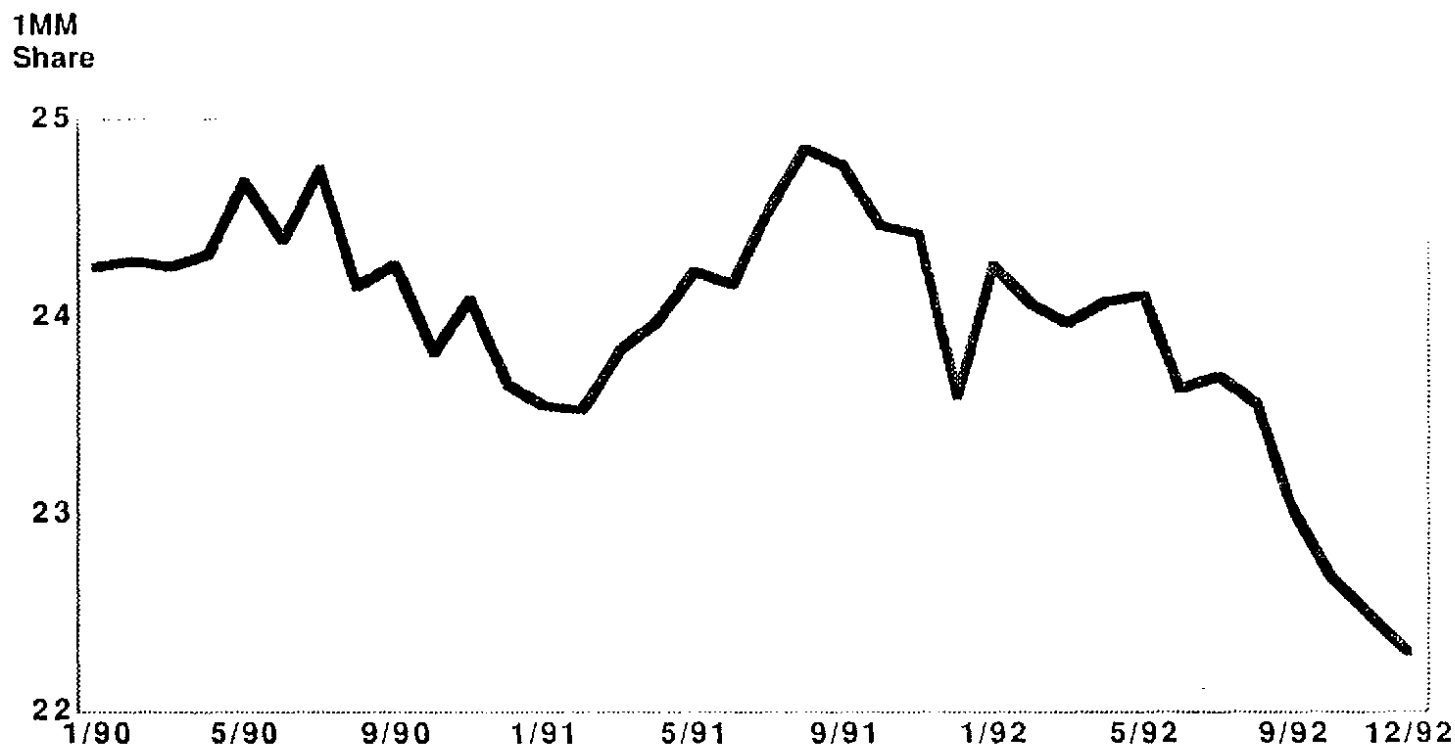
MARLBORO VOLUME TRENDS 1988-2002



PM-USA
1993-97 FYP Pres. 2/10/93

2073445509

Marlboro's decline is periodically halted by promotions, new introductions and other reductions in the value gap with discount.

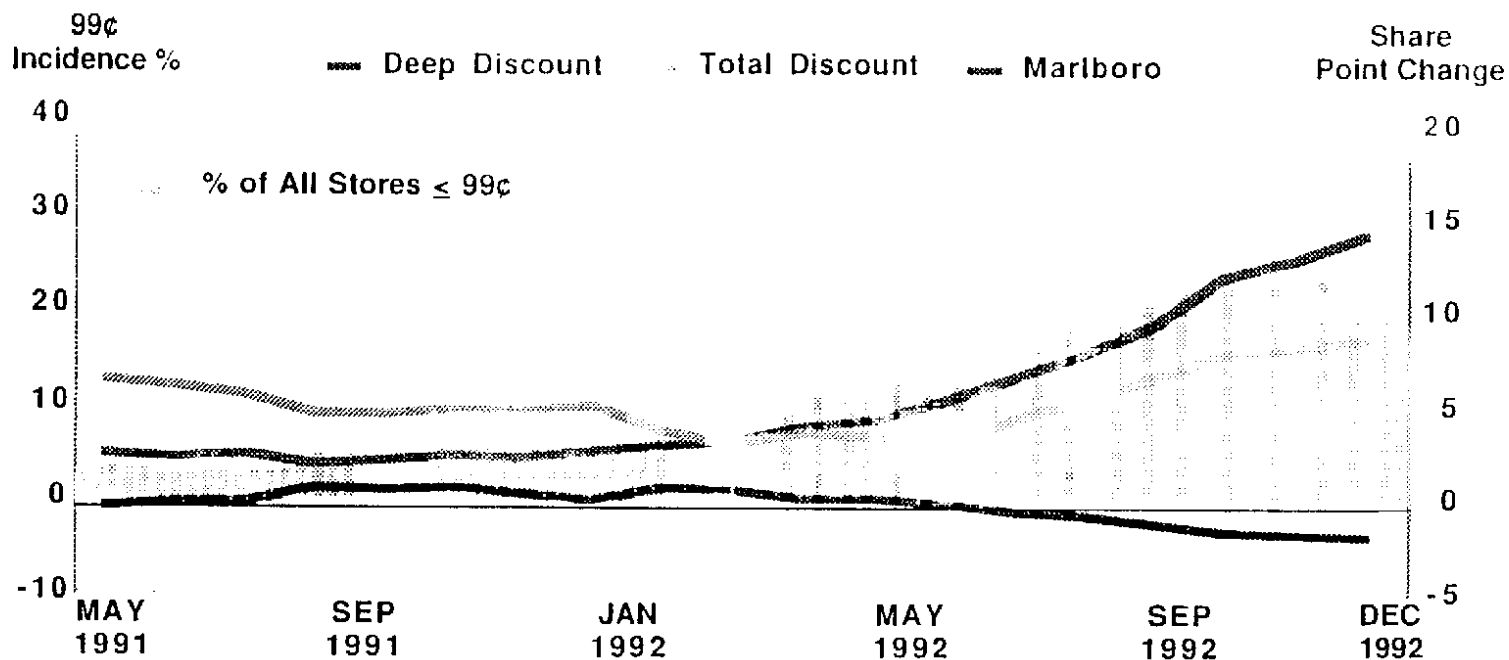


Source: New Nielsen Monthly Data

PM-USA
1993-97 FYP Pres. 2/10/93 #2

2073445510

Marlboro Share Decline is a function of an increase in 99¢ Pricing Incidence

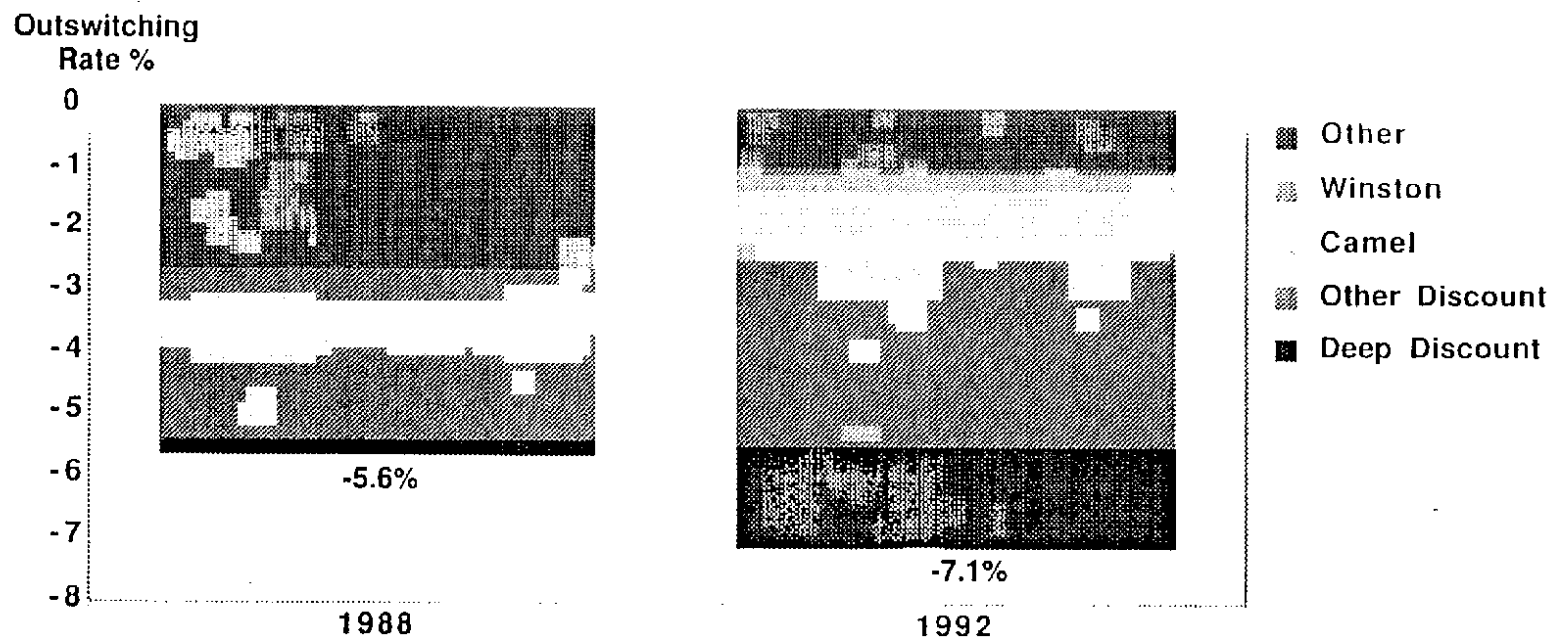


Source: Nielsen 1MM/Retail Pricing Sweeps

PM-USA
1993-97 FYP Pres. 2/10/93

207344511

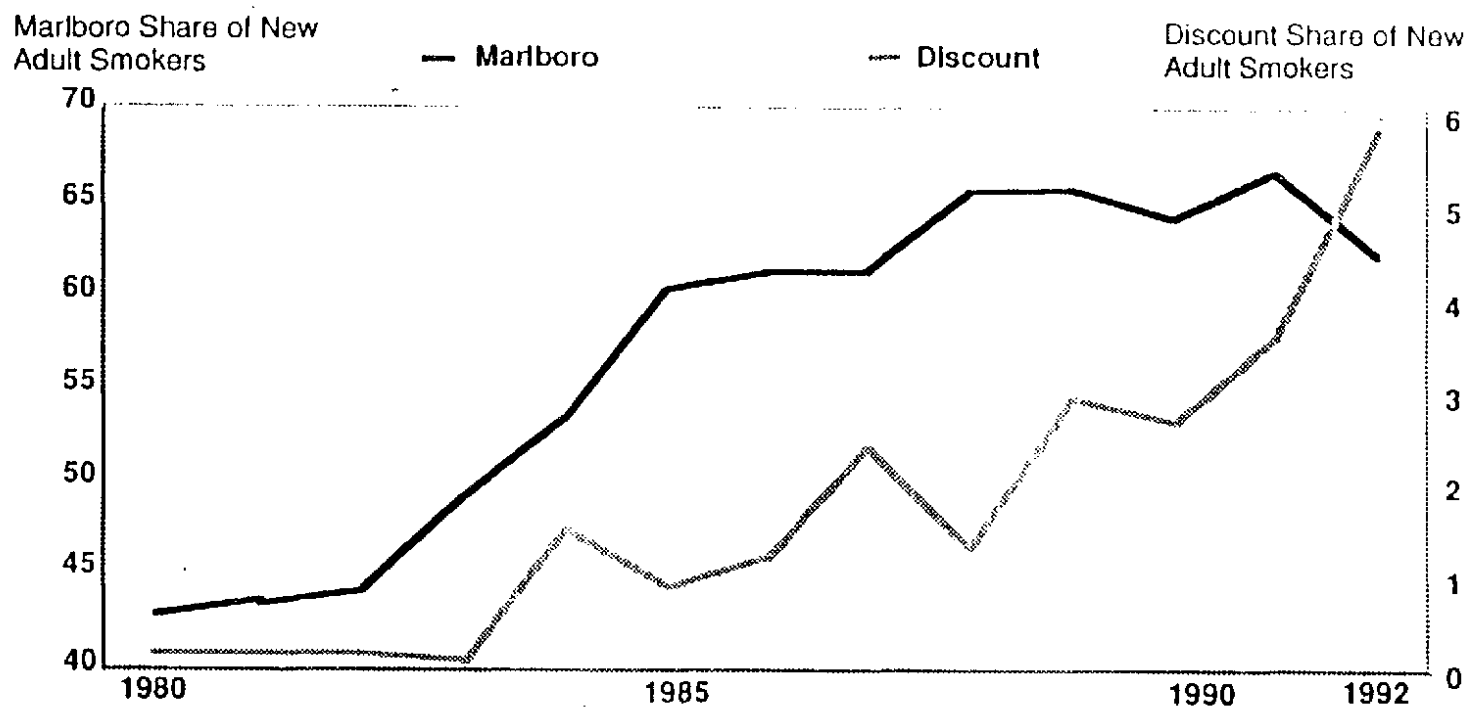
Marlboro's outswitching rate has increased since 1988, with deep discounts accounting for most of the additional loss and total discounts accounting for 70% of 1992 losses.



PM-USA
1993-97 FYP Pres. 2/10/93

2073445512

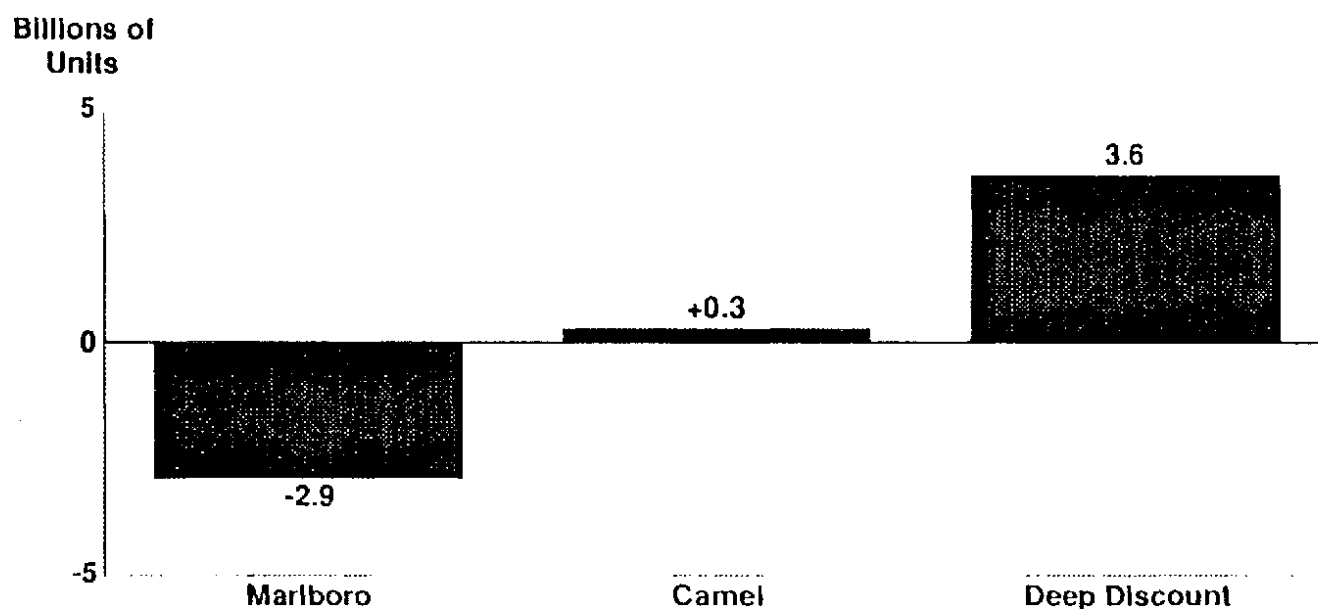
**As discount's share of new adult smokers rises,
Marlboro's share is weakening.**



PM-USA
1993-97 FYP Pres. 2/10/93

2073445513

Among 18-24 year old smokers, deep discount brands have gained 3.6 billion units. Over the past year, Marlboro has lost 2.9 billion.

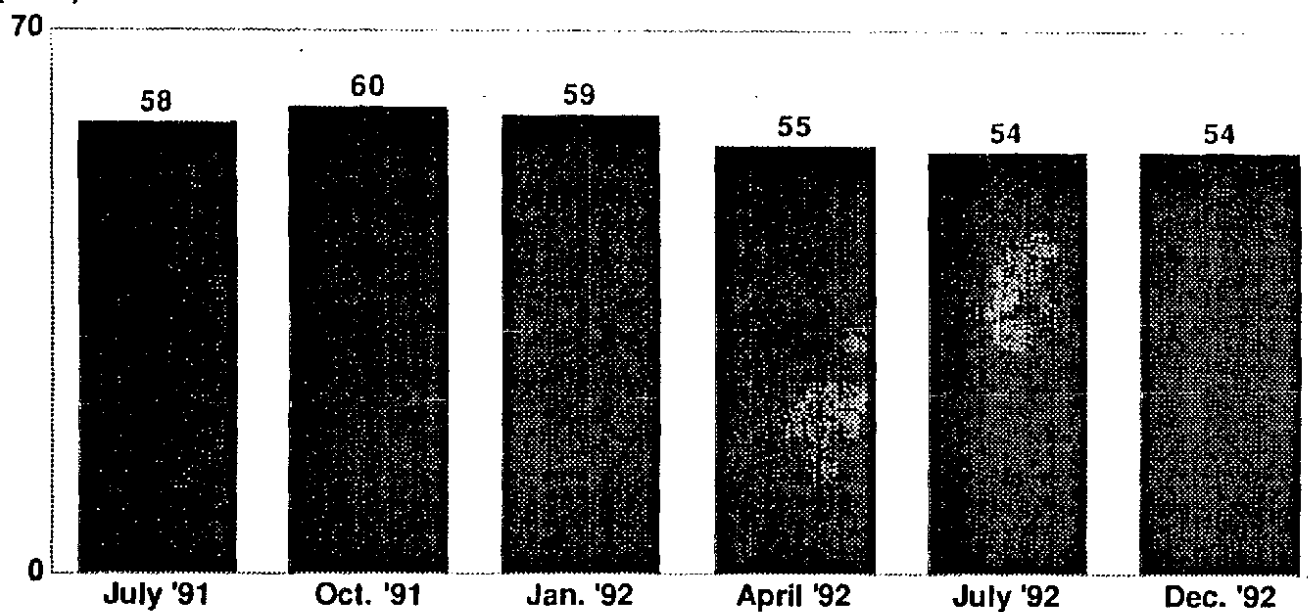


PM-USA
1993-97 FYP #5

2073445514

Marlboro's share of 18-24 volume is off 5 percent since January 1992.

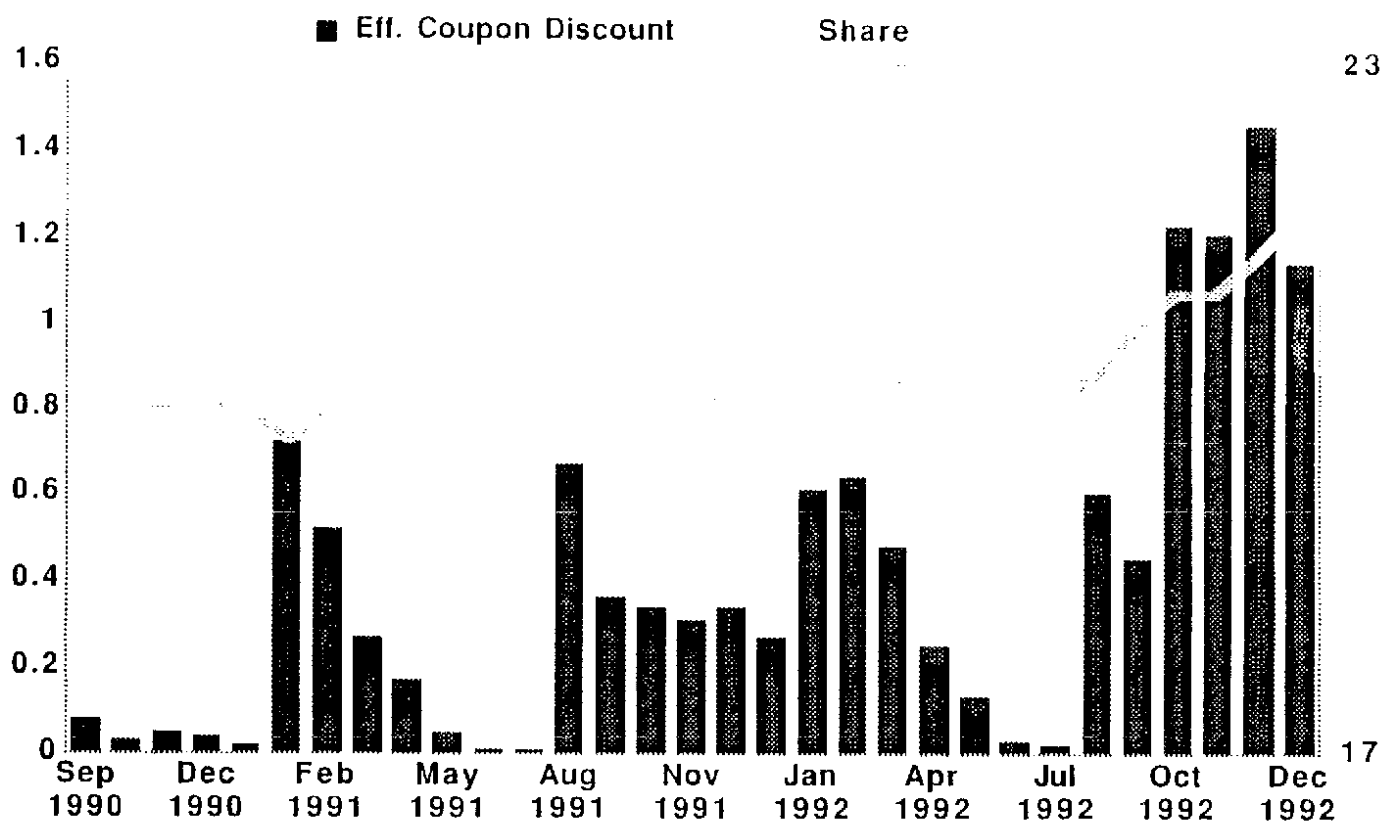
Share of 18-24
smoker volume
(3MM)



PM-USA
PYP 76-6661

2073445515

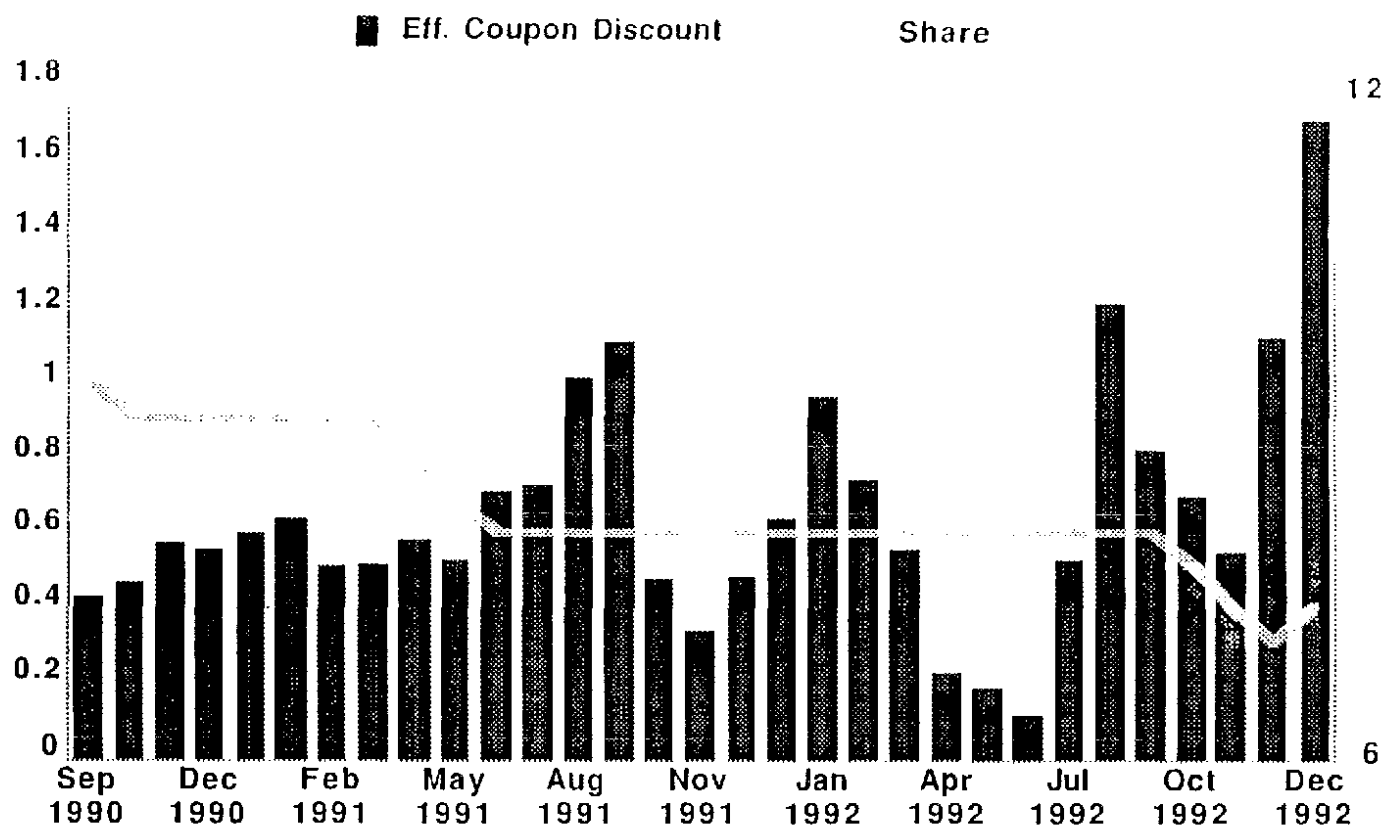
Marlboro responds strongly to promotion



PM-USA
5YP Pres. 1/21/93 #2

2073445516

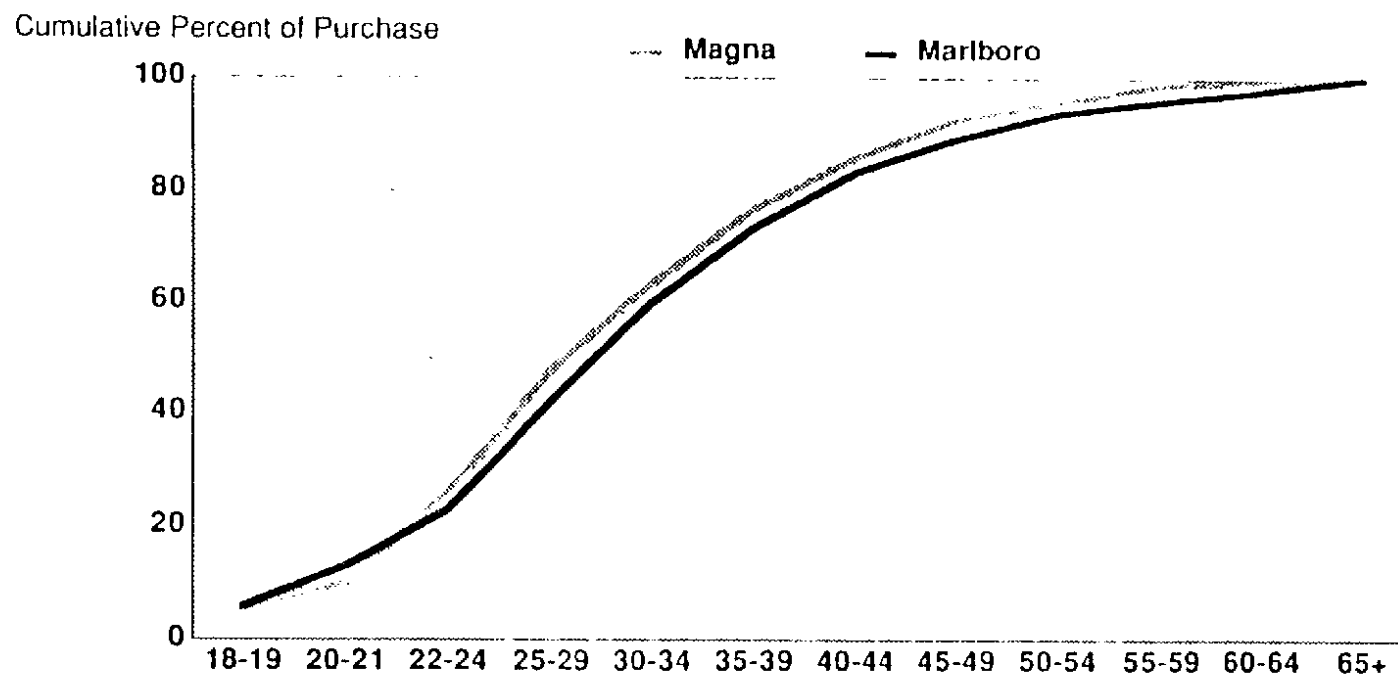
Winston has become largely insensitive to promotion



PM-USA
5YP Pres. 1/21/93 #2

2073445517

Magna's age profile is as young as Marlboro's.



PM-USA
1993-97 FYP Pres. 2/10/93

2073445518

Current Downside Trends into the Future

- Total cigarette volume will continue to decline 2-3% per year
- Premium prices will continue to rise at twice the rate of personal disposable income
- The gap between premium prices and minimum legal price will continue to grow
- Smokers will continue to switch to lower-priced cigarettes in significant numbers

PM-USA
FYP Pres. 2/10/93 #4

2073445519

Current Downside PMUSA Trends into the Future

- PM-USA's overall share of market will be flat
- PM-USA's premium volume will decline 11.1% CAG through 1997
- PM-USA's IFO growth will decline each year
- All these trends will worsen over the plan period

Conclusions

- Discount growth is a long-term change in industry and PMUSA is in a weak position
- Current Strategy delivers acceptable IFO growth to PMUSA and RJR, but significantly higher IFO growth and lower share of discount category for B&W.
- Current downside doesn't deliver discount profit, acceptable position in market and IFO growth

Alternatives

- Hope for hyperinflation or hypertaxation
- Accelerate premium pricing to reach (price-inelastic) premium core
- Drop premium prices to slow losses to discount
- Accelerate our market share growth and compete in discount using value brands with trademark equity

Accelerate Premium Pricing

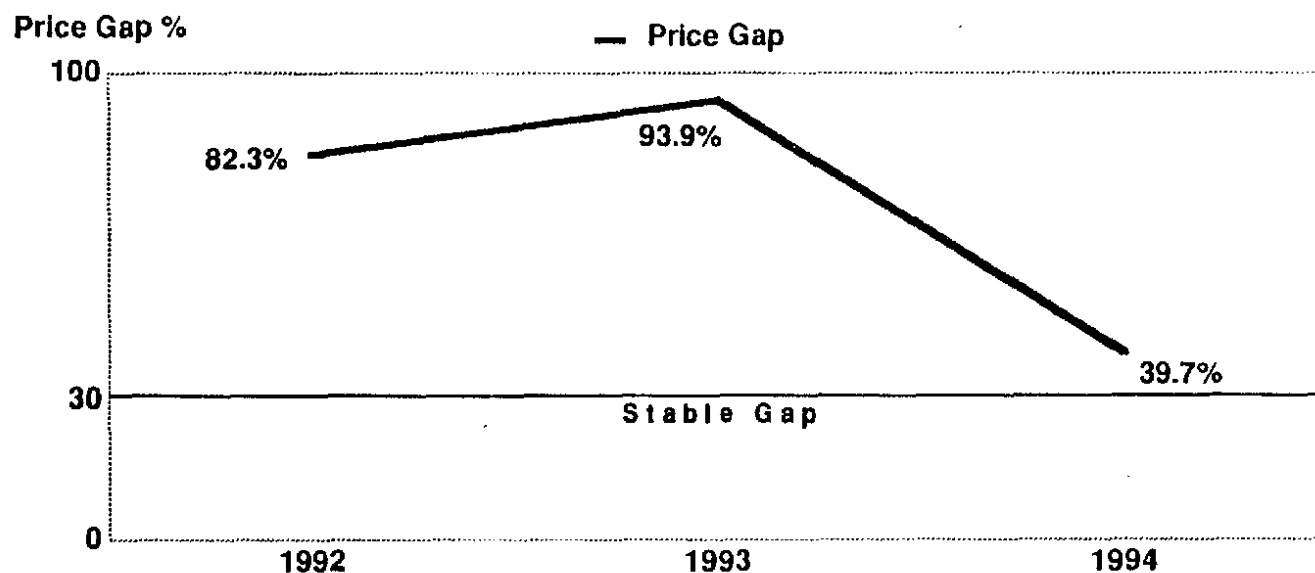
- Premise: Some numbers of smokers will pay \$5.00 or more per pack to buy Marlboro
 - Local income levels are strong predictors of discount growth
 - If enough numbers of the franchise will pay a high enough price, we can make more absolute dollars on fewer units
 - By definition, this group will also accept large absolute dollar increases (\$25 per M) needed to grow our margins
 - Going in that direction anyway, this approach maximizes income along the way

BUT: IF CORE GROUP IS TOO SMALL, THE TRADEMARKS ARE LOST

PM-USA
1993-97 FYF Pres. 2010-91

2073445523

A \$15 per thousand price decrease on premium brands on Jan. 1, 1994 will lower the price gap to 39.7%, which is near the premium share stable gap of 30%.



PM-USA
1993-97 FYP #5

2073445524

Drop Price

Assumptions:

PM SOP +2.0%

PM SOD Growth 40%

	Price Increase		Effective Retail Price		New Gap
	Premium	Discount	Premium	Discount	
1992	\$6.00	(\$3.00)	\$1.91	\$1.05	82.3%
1993	\$6.00	-	\$2.11	\$1.09	93.9%
1994	(\$15.00)	\$4.00	\$1.88	\$1.35	39.7%
1995	\$4.50	\$2.50	\$2.03	\$1.45	40.0%
1996	\$4.50	\$2.75	\$2.28	\$1.67	37.0%
1997	\$5.00	\$3.00	\$2.44	\$1.78	36.9%
CAG 92-97			5.1%	11.2%	

PM-USA
1993-97 FYP Pres. 2/10/93 #2

2073445525

Drop Price

	<u>1992</u>	<u>1997</u>	<u>CAG</u>
Industry Volume	506.8	442.0	-2.7%
Premium	353.7	259.6	-6.0%
Discount	153.1	182.4	+3.6%
Discount Share	30.2%	41.3%	
PM-USA Volume	214.3	204.8	-0.9%
Premium	172.8	152.7	-2.4%
Discount	41.5	52.1	+4.7%

PM-USA
1993-97 FYP Pres. 2/10/93 #2

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Drop Price

Income From Operations

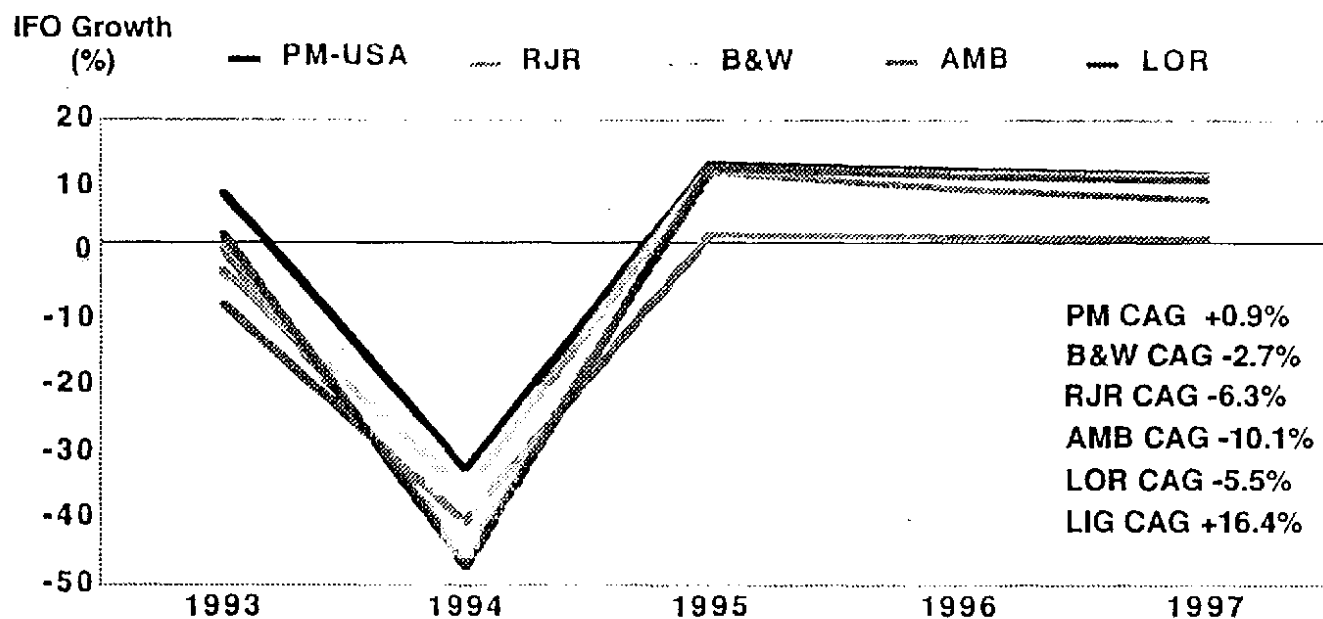
	<u>Drop Price</u>	<u>Downside</u>	<u>Difference</u>
1992	\$5185	\$5185	-
1993	5655	5655	-
1994	3802	5827	(2025)
1995	4316	5870	(1554)
1996	4856	5874	(1018)
1997	5428	5887	(459)
CAG 92-97	0.9%	2.6%	

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PM-USA
1993-97 FYP Pres. 2/10/93 #2

Drop Price

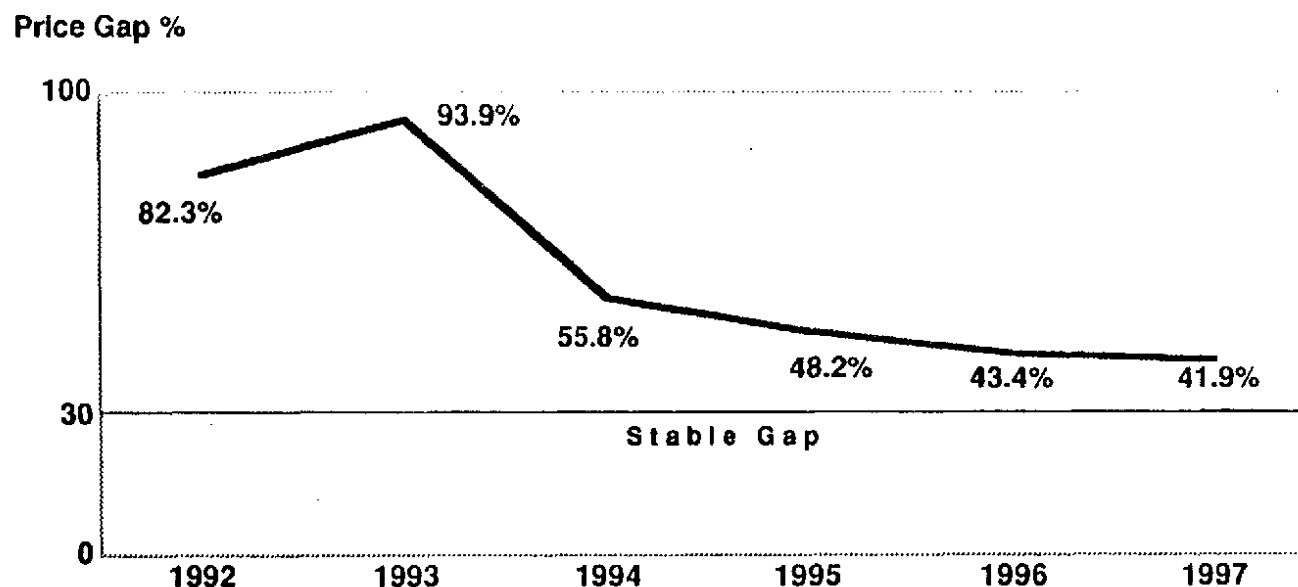
Annual IFO Growth



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PM-USA
1993-97 FYP Pres. 2/10/93

**Absorbing the 1994 FET increase and
freezing premium prices for two years
will gradually reduce the price gap.**



PM-USA
#5 FYP 93-97

2073445529

Assumptions: **Price Freeze**

PM SOP +2.0%

PM SOD Growth 40%

	<u>Price Increase</u>		<u>Effective Retail Price</u>		<u>New Gap</u>
	<u>Premium</u>	<u>Discount</u>	<u>Premium</u>	<u>Discount</u>	
1992	\$6.00	(\$3.65)	\$1.91	\$1.05	82.3%
1993	\$6.00	-	\$2.11	\$1.09	93.9%
1994	(\$4.00)	\$4.00	\$2.16	\$1.39	55.8%
1995	-	\$2.50	\$2.20	\$1.48	48.2%
1996	\$4.50	\$2.75	\$2.44	\$1.70	43.4%
1997	\$4.75	\$3.00	\$2.60	\$1.83	41.9%
CAG 92-97			9.6%	13.0%	

2073445530

PM-USA
1993-97 FYP Pres. 2/10/93 #2

Price Freeze

	<u>1992</u>	<u>1997</u>	<u>CAG</u>
Industry Volume	506.8	442.0	-2.7%
Premium	353.7	230.2	-8.7%
Discount	153.1	211.8	+6.7%
Discount Share	30.2%	47.9%	
PM-USA Volume	214.3	199.3	-1.4%
Premium	172.8	135.4	-4.8%
Discount	41.5	63.9	+9.0%

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PM-USA
1993-97 FYP Pres. 2/10/93 #2

Price Freeze

Income From Operations

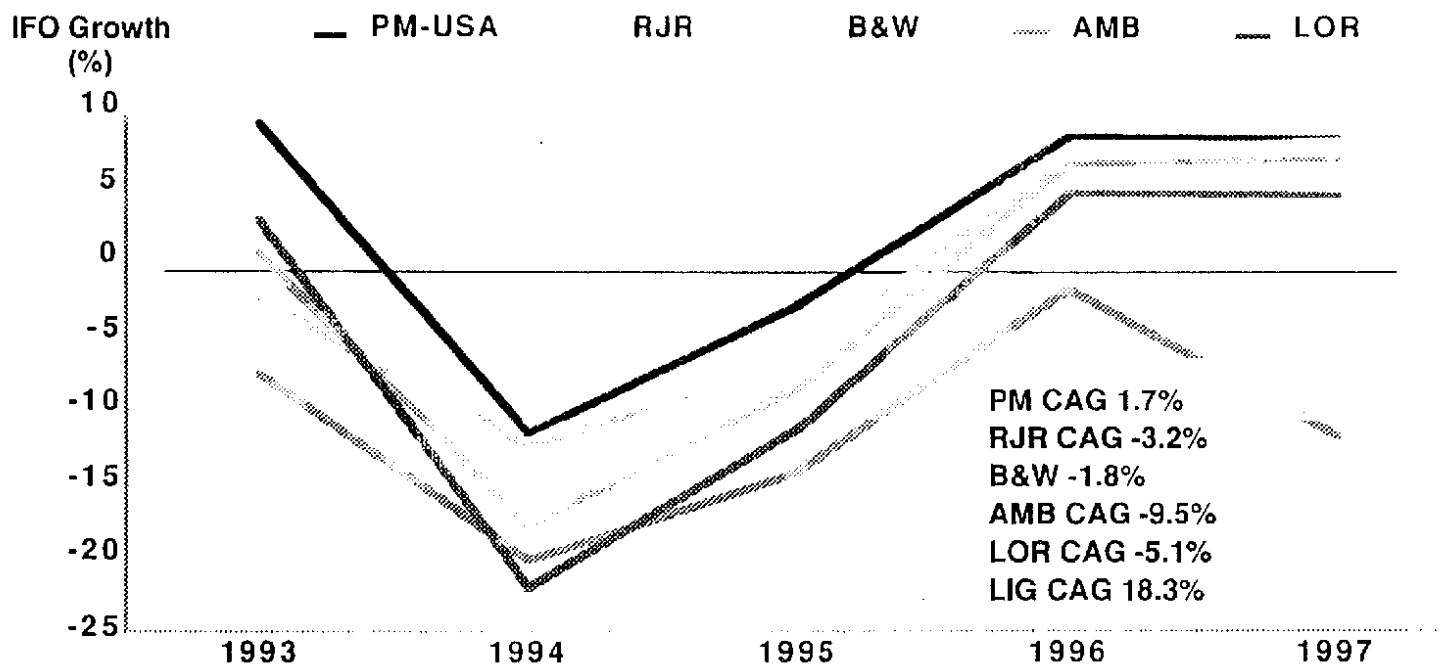
	<u>Price Freeze</u>	<u>Downside</u>	<u>Difference</u>
1992	5185	5185	-
1993	5655	5655	-
1994	4983	5827	(844)
1995	4821	5870	(1049)
1996	5223	5874	(651)
1997	5649	5887	(238)
CAG 92-97	1.7%	2.6%	

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PM-USA
EYP Pres. 2/10/93 #2

Price Freeze

Annual IFO Growth



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PM-USA
1993-97 FYP Pres. 2/10/93

PMUSA Discount Pricing Levers

- Further reduce premium decline rates below competitors' premium
- Increase our share of discount growth
- Moderate premium price increases

PM-USA
1993-97 FYP Pres. 2/10/93

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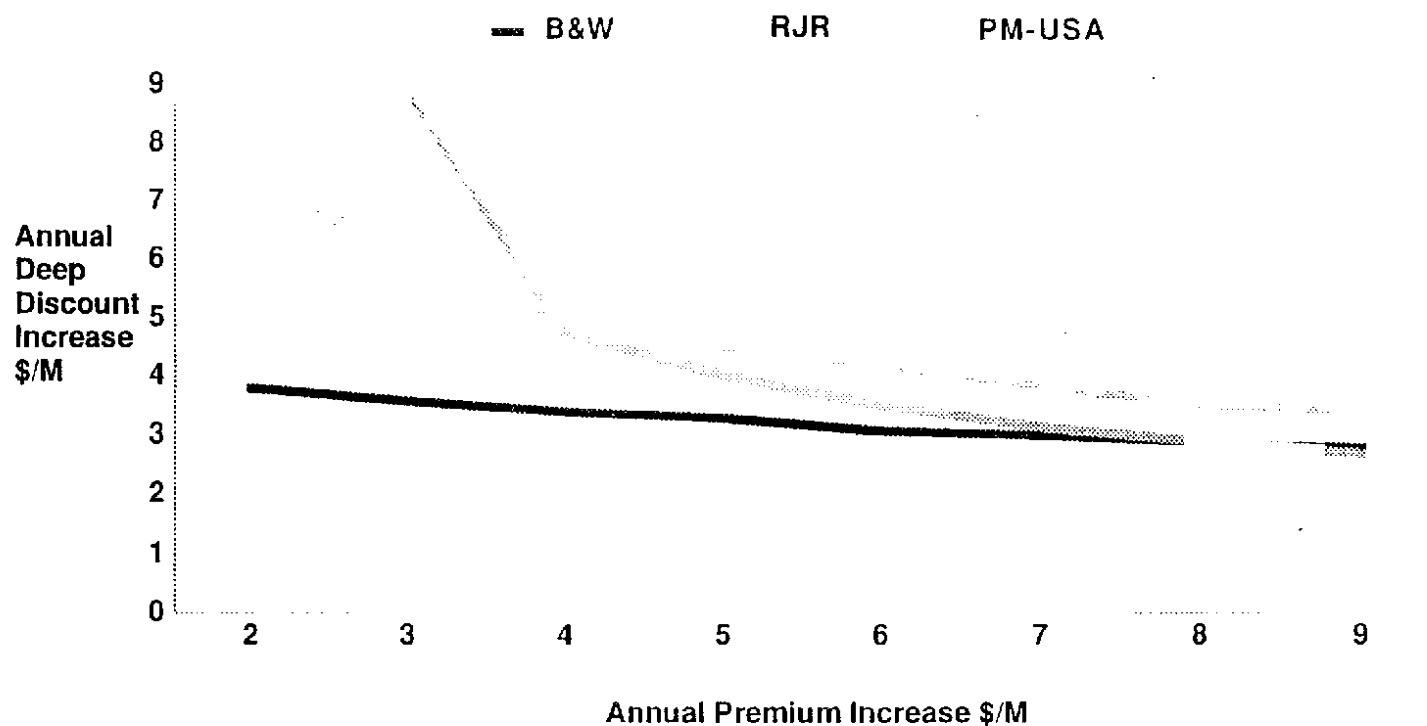
Accelerate Market Share Growth

- Need to exceed 1 share point growth annually by:
 - Increasing annual premium category growth above 1.6 share points
 - Increasing share of discount growth to over 50%

PM-USA
FYP Pres. 2/10/93 #4

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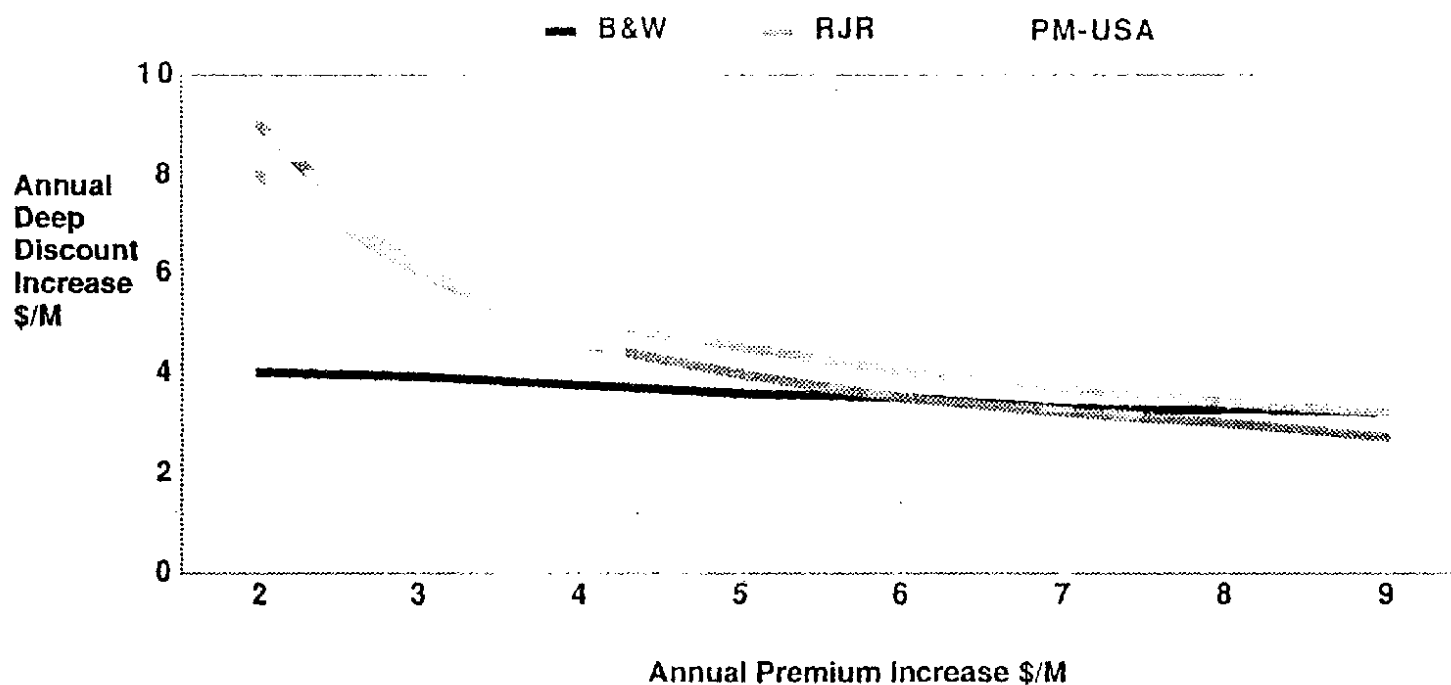
At 40% of Discount Growth, PM-USA requires more pricing than RJR and B&W to meet growth objectives.



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PM-USA
1993-97 FYP Pres. 2/10/93

At 50% of Discount Growth, PM-USA's Pricing needs approach RJR's and B&W's to meet growth objectives.



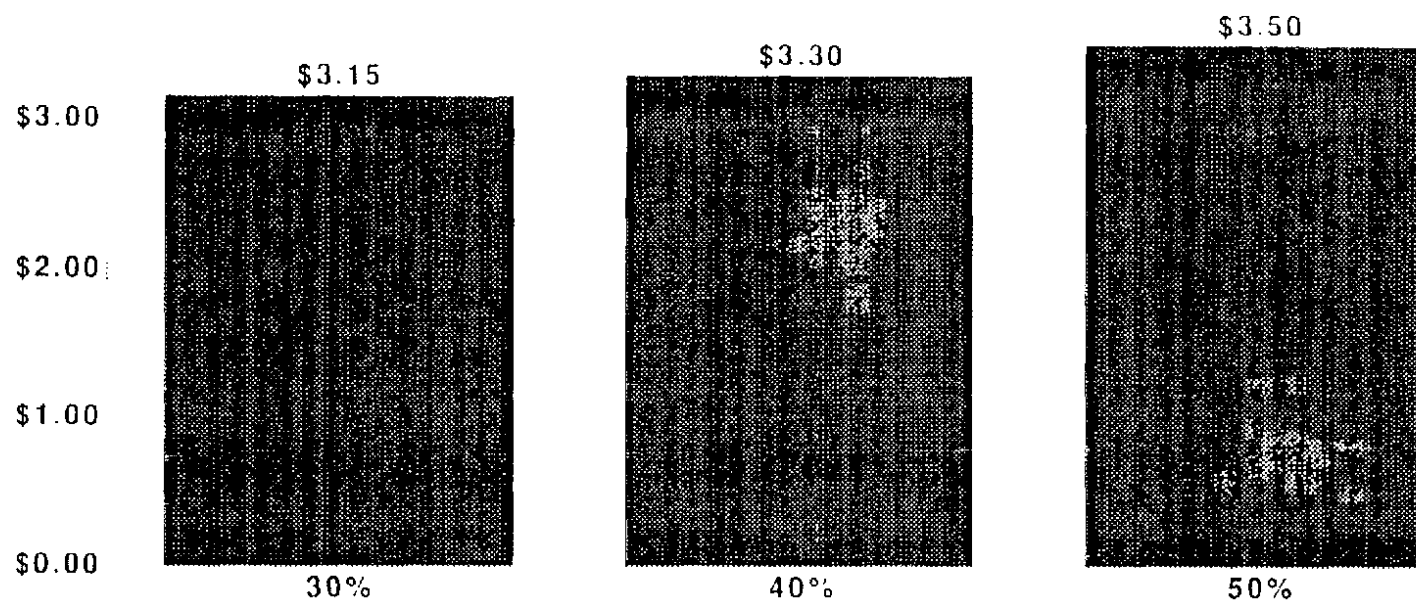
2073445536

PM-USA
1993-97 FYP Pres. 2/10/93

Discount Pricing to Give B&W 5% CAG 92-97

Annual Discount
Price Increase

\$4.00



PM Share of Discount Growth

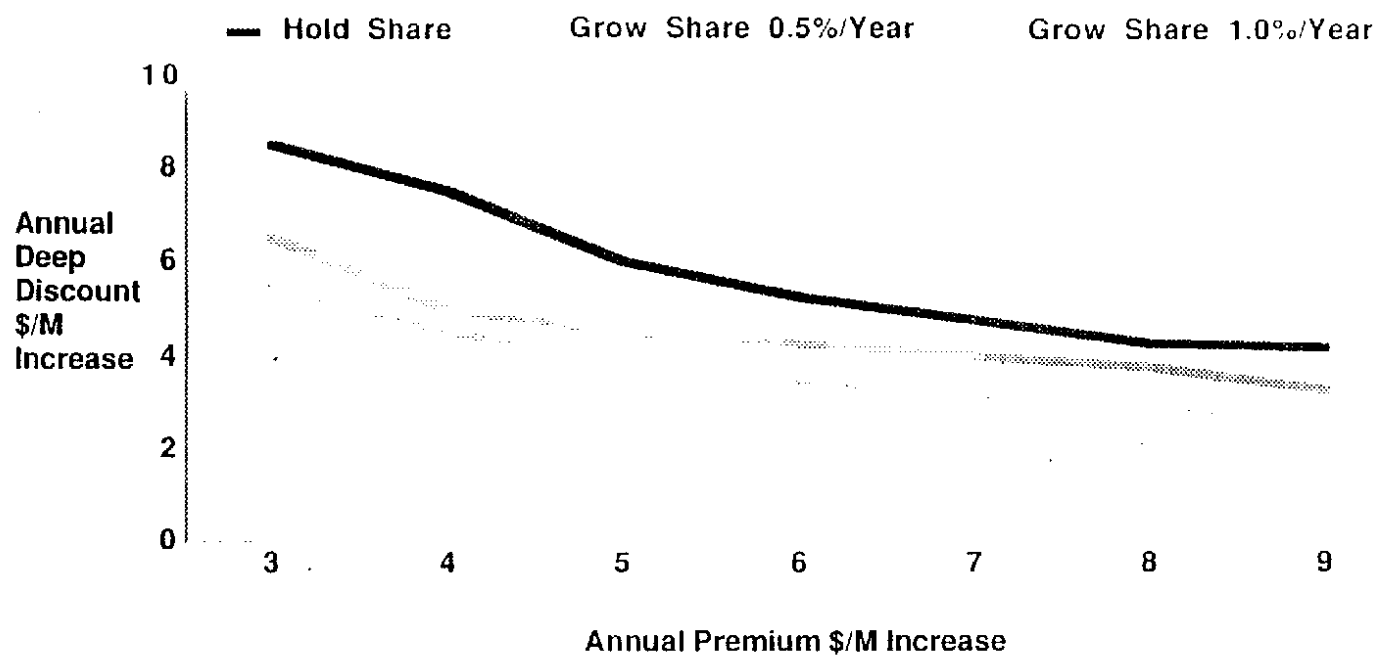
Assumes: PM Share of Premium +1.6 year
Premium Pricing \$6.00

PM-USA

FYP Pres. 12193

2073445537

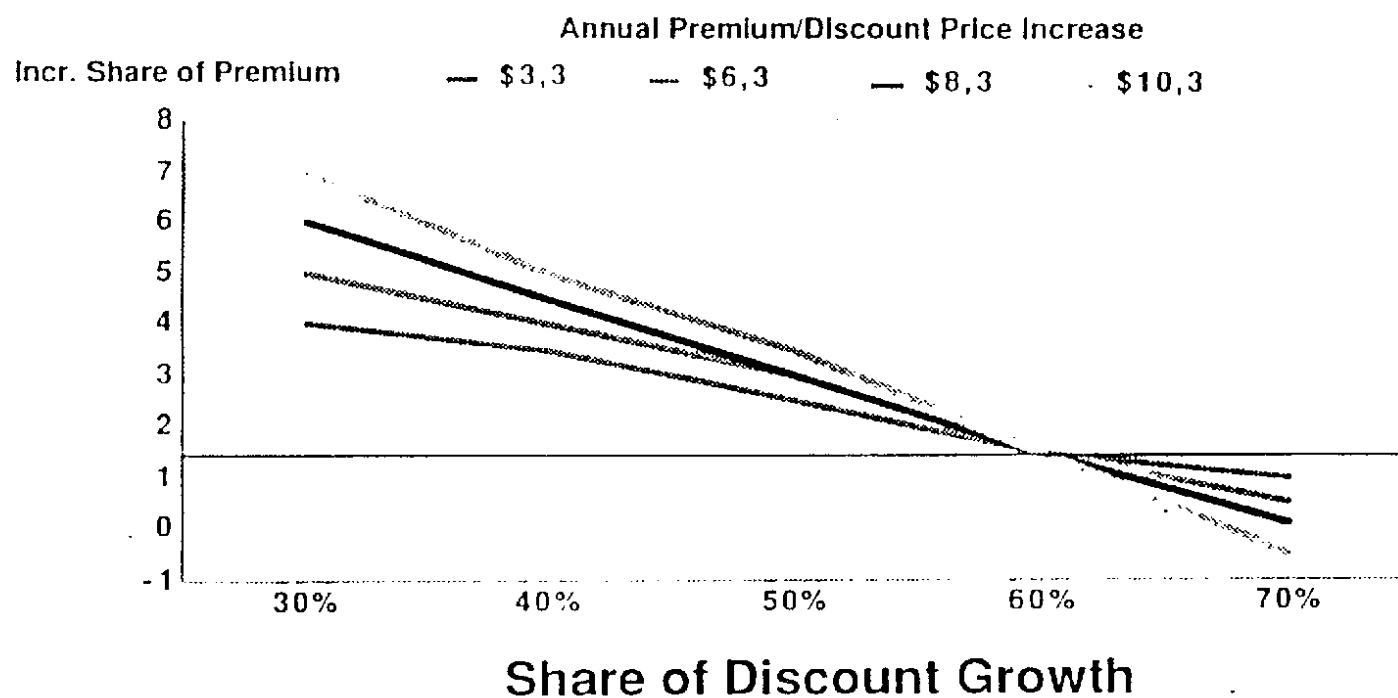
Annual Pricing Required for PM-USA to deliver 7.5% IFO growth



PM-USA
1993-97 FYP Pres. 2/10/93

2073445538

Performance Required to Grow One SOM/Year



FYP Pros 1/21/9

2073445539

PMUSA SWOT

Strengths

- Marlboro
- Trademarks
- SOES
- Scale (income, marketing and sales, R&D)
- Market share
- Low Cost
- Retail Presence

Opportunities

- Weak '92 IFO of competitors
- Weak premium trademarks of competitors

Weaknesses

- Pricing drives IFO growth
- Weak discount trademarks
- Price increases above DPI
- Inferior market share in only growing segment of industry
- Load

Threats

- Accelerating growth in deep discount
- RJR/B&W strength in discount
- Market access of all competitors
- Political-social assaults on smoking

PM-USA
FYP Pres. 2/10/93 #4

2073445540

1993 - 97 Alternative Strategy

- Enhance equity value of premium trademarks
- Capture over 50% of discount growth.
- Bring trademarks to bear in lower price tiers to insure growth (Value Line Extensions and Brands)
- Never be undersold, especially by B&W
- Change the distribution system

Marketing Strategy (Alternate Strategy)

- Defend premium trademarks from price erosion using promotions.
- Line extend premium trademarks into sub premium price tier.
- Launch new value brands with product/packaging characteristics designed to build base franchise in lower price tier.
- Deny lowest price position to every competitor using branded product.
- Overall share growth and lead positioning in growth segment are paramount goals.

PM-USA
1993-97 FYP #3

2073445542

Strategic Business Imperatives

- Protect long-term viability of our business by growing our total share of market
- Preserve existing trademarks
- Inject trademark value into discount segment
- Preserve our cash flow
- Assure stable and reliable IFO growth over the entire plan period

Operational Meaning

- Take larger share of growing segments (discount)
- Use increase marketing spending/lower premium price increase to mitigate price gaps with discount
- Use line extensions and product attributes that add value to lower priced brands
- Maintain IFO at least 95% of 1992 level under all circumstances
- Lower IFO growth to a level necessary to execute four previous imperatives

PM-USA
1993-97 FYP Pres. 2/10/93

2073445543

Alternate Strategy Share Targets

	<u>1992</u>	<u>1997</u>	<u>Change</u>
Total PM-USA Share	42.3%	44.3%	+2.0 pp
Total PM-USA Share of Premium Category	48.8%	53.6%	+4.8 pp
Total PM-USA Share of Discount Category	27.1%	39.3%	+12.2 pp
Discount Share of PM-USA	19.4%	57.1%	+37.7 pp

PM-USA
1993-97 FYP Pres 2/10 93 #2

2073445544

Alternate Strategy

	<u>1992</u>	<u>1997</u>	<u>CAG</u>
Industry Volume	506.8	442.0	-2.7%
Premium	353.7	156.7	-15.0%
Discount	153.1	285.3	+13.2%
Discount Share	30.2%	64.5%	
PM-USA Volume	214.3	196.0	-1.8%
Premium	172.8	84.0	- 13.4%
Value Brands	18.4	65.5	+28.9%
Deep Discount	23.1	46.5	+15.0%

PM-USA

1993-97 FYP Pres. 2/10/93 #2

2073445545

Alternate Strategy

Assumptions:

PM SOP +1.0%

PM SOD Growth 53%

	Price Increase			Effective Retail Price		New Gap
	<u>Premium</u>	<u>Value Brands***</u>	<u>Deep Disc</u>	<u>Premium*</u>	<u>Deep Disc</u>	
1992	\$6.00	-	(\$3.65)	\$1.91	\$1.05	82.3%
1993	\$6.00	6.00	\$6.00	\$2.23	\$1.28	73.8%
1994	\$8.00	5.25	\$2.00**	\$2.56	\$1.50	71.1%
1995	\$9.50	5.50	\$2.00	\$2.82	\$1.59	76.7%
1996	\$11.00	5.50	\$2.00	\$3.21	\$1.81	77.3%
1997	\$12.50	5.50	\$2.00	\$3.55	\$1.92	85.0%

* Value Brands' Retail Price 20% above Deep Discount

** Off invoice allowance increased \$4.00/thous

*** Branded Discounts reduced to Value Brand price level Jan 1, 1994

PM-USA

FYP Pres. 1/21/93

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Value Brand Retail Pricing

% Gap Above Deep Discount	Deep Discount Retail Price	Value Brand Retail Price	Deep Discount Net Contribution Per M	Value Brand Net Contribution Per M	% of Deep Discount
10%	\$1.00	\$1.10	\$5.00	\$10.00	100%
20%	\$1.00	\$1.20	\$5.00	\$15.00	300%
30%	\$1.00	\$1.30	\$5.00	\$20.00	400%

(Assumes comparable marketing expenses per m)

PM-USA
1993-97 FYP Pres. 2/10/93

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Deep Discount and Value Brand Price Increases

Deep Discount Price Increase Per M	Deep Discount Retail Price	New Value Brand Price @ 20% Gap	Value Brand Price Increase Per M
-----	\$1.00	\$1.20	-----
\$2.50	\$1.07	\$1.26	\$3.00
\$5.00	\$1.13	\$1.36	\$6.15

PM-USA
1993-97 I YP Pres. 2/10/93

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Alternate Strategy

Income From Operations

	<u>PM-USA</u>	<u>Total Industry</u>	<u>Industry %Change</u>	<u>PM-USA Share of Industry</u>	
				<u>Total</u>	<u>Growth</u>
1992	5185	9450	4.5%	54.9%	100.0%
1993	5650	10122	7.1%	56.5%	79.7%
1994	5443	9496	(6.4%)	57.3%	--
1995	5597	9470	(0.3%)	59.1%	--
1996	5899	9772	3.2%	60.4%	100%
1997	6182	9890	1.2%	62.5%	100%
CAG 92-97	3.6%	0.9%			

PM-USA

FYP Pres. 1/21/93

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PM-USA Value Tier Volume

1997

	<u>Current Downside</u>	<u>Alternate Strategy</u>
Value Line Extension	0.0	27.0
Value Brand	3.8	38.5
Basic	56.4	19.3
Private Label	<u>30.4</u>	<u>27.2</u>
Total	90.6	112.0

PM-USA
1993-97 FYP Pres. 2/10/93 #2

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Risks

- Price competition in deep discount flattens our IFO
- Moderate premium pricing is not competitively sustained
- Inability to inject trademark value into discount to sustain moderate price premium over discount

Offsets

- Competitors IFO declines at double-digit rates
- Aggressive premium pricing accelerates competitors' premium volume declines without offsetting their IFO declines
- Strong trademarks have historically sustained moderate price premiums over generic products

Competitive Reactions

Impact on IFO

- Drop prices of premium brands
 - RJR -45%
 - B&W -36%
 - AMB -41%
 - LOR -47%
 - LIG -37%
- Drop price of branded discount to deep discount level
 - RJR -19%
 - B&W -20%
 - AMB -53%
 - LOR -5%
 - LIG -100%

PM-USA
1993-97 FYP Pres. 2/10/93

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PM Responses

- Accelerate introduction of Value Brands
- Seek alternative distribution mechanisms (direct mail, exclusive distributions)
- Freeze premium prices

PM-USA
1993-97 FYP Pres. 2/10/93

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Change the Marketplace

- Direct Mail delivery to encourage large volume purchases
- Exclusive distributorships of PM products
- Proprietary product characteristics (fire safe, heating vs. burning)

PM-USA
1993-97 FYP #3

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Scenario Comparison

	<u>Current Strategy</u>		<u>Current Downside</u>		<u>Alternate Strategy</u>	
	<u>1997</u>	<u>5 Yr. CAG</u>	<u>1997</u>	<u>5 Yr. CAG</u>	<u>1997</u>	<u>5 Yr. CAG</u>
Industry Volume	442.0	-2.7%	442.0	-2.7%	442.0	-2.7%
Premium	220.1	-9.1%	168.8	-13.8%	156.7	-15.0%
Value Brands	43.3	-10.9%	16.8	-26.3%	78.5	+0.3%
Deep Discount	178.6	+18.7%	256.4	+27.6%	206.8	+22.2%
PM-USA Volume	194.2	-1.9%	186.6	-2.7%	196.0	-1.8%
Premium	125.3	-6.2%	96.1	-11.1%	84.0	-13.4%
Value Brands	9.9	-11.7%	3.8	-27.1%	65.5	+28.9%
Deep Discount	59.0	+20.6%	86.7	+30.3%	46.5	+15.0%
Discount Share	50.2%		61.8%		64.5%	

PM-USA

1993-97 FYP Pres 2/10/93 #2

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Scenario Comparison

	<u>Current</u>	<u>Downside</u>	<u>Alternate</u>
Performance Gap	7.5%	9.2%	6.9%

PM-USA
5YP Pres. 1/21/93 #2

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Scenario Pricing

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
FET Increase	\$2.00	\$4.00		\$4.00	
Current Strategy					
Premium/Branded Disc.	\$6.00	\$5.25	\$5.75	\$6.25	\$6.75
Deep Discount	\$6.00	\$4.75	\$5.25	\$5.75	\$6.25
Current Downside					
Premium/Branded Disc.	\$6.00	\$8.00	\$9.50	\$11.00	\$12.50
Deep Discount	\$6.00	\$1.00*	\$1.00	\$1.00	\$1.00
Alternate Strategy					
Premium	\$6.00	\$8.00	\$9.50	\$11.00	\$12.50
Value Brands***	\$6.00	\$5.25	\$5.50	\$5.50	\$5.50
Deep Discount	\$6.00	\$2.00**	\$2.00	\$2.00	\$2.00

* Off invoice allowance increase \$5.00/thous

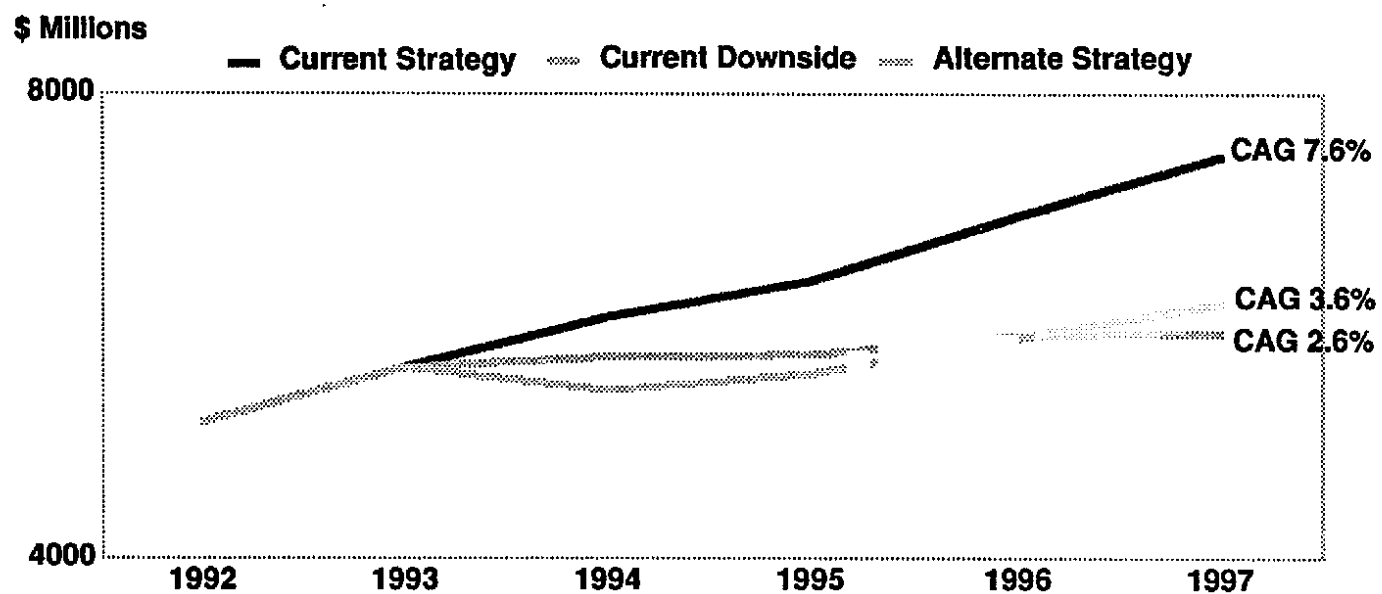
** Off invoice allowance increased \$4.00/thous

*** Branded Discounts reduced to Value Brand price level Jan. 1, 1994

PM-USA
1993 97 FYP Pres 2/10/93 #2

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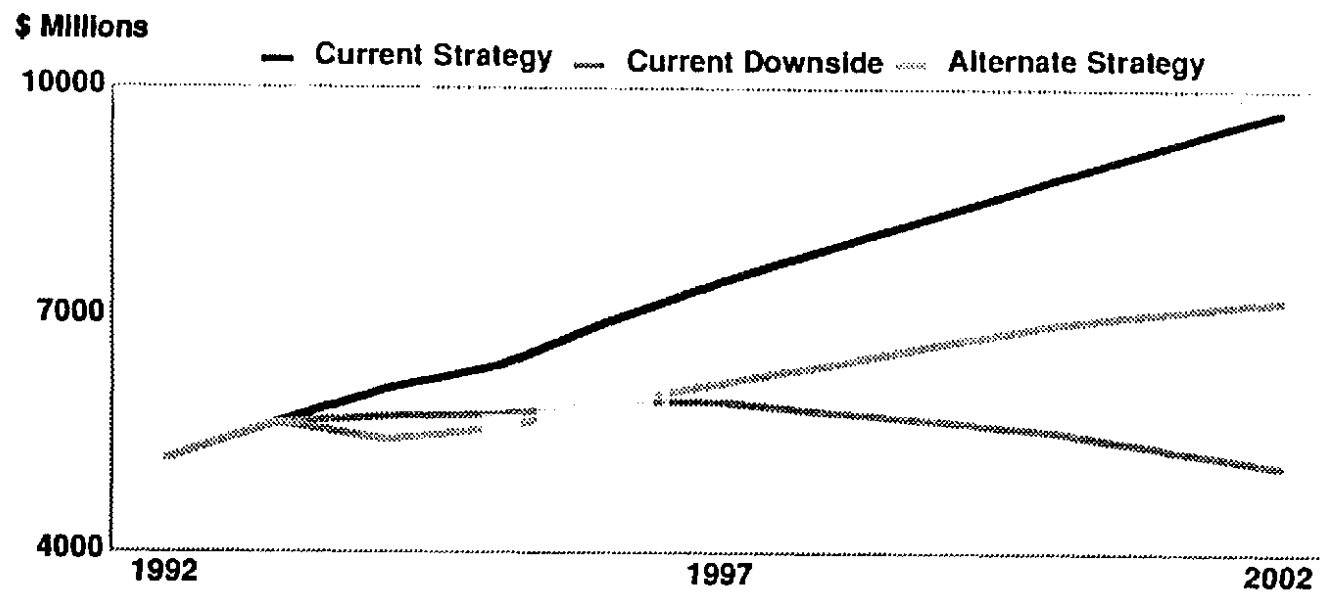
PM-USA IFO Comparisons



PM-USA
1993-97 FYP #5

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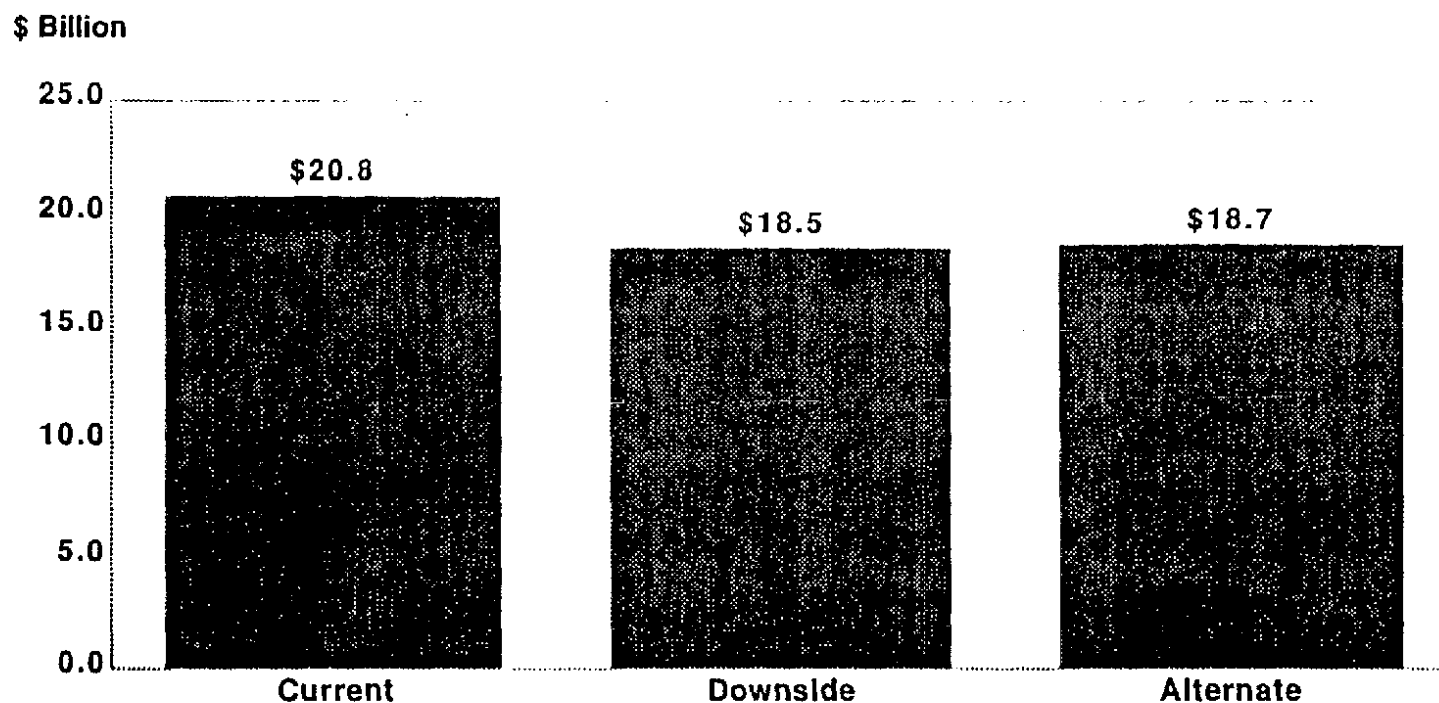
PM-USA IFO Comparisons 1992-2002



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PM-USA
1993-97 FYP #5

1993-97 Cumulative Cash Flow



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PM-USA
1993-97 FYP Pres. 2/10/93

10 Year Scenario Comparison

	<u>Current Strategy</u>		<u>Current Downside</u>		<u>Alternate Strategy</u>	
	<u>2002</u>	<u>10 Yr. CAG</u>	<u>2002</u>	<u>10 Yr.</u>	<u>2002</u>	<u>10 Yr.</u>
Industry Volume	382	-2.7%	382	-2.7%	382	-2.7%
Premium	163	-7.4%	56	-16.8%	50	-17.8%
Value Brands	24	-10.9%	0	--	94	2.0%
Deep Discount	195	+9.9%	326	+15.7%	238	12.1%
PM-USA Volume	174	-2.1%	150	-3.5%	163	-2.7%
Premium	104	-5.0%	42	-13.1%	36	-14.5%
Value Brands	5	-12.2%	0	--	81	32.1%
Deep Discount	65	+10.9%	108	+16.6%	46	7.1%
Discount Share	57.3%		85.3%		86.1%	

PM-USA

1993-97 FYP Pres. 2/10/93 #2

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